

# The Cyprus Cement Public Company Limited

## Report and financial statements

31 December 2018

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# The Cyprus Cement Public Company Limited

## Board of Directors and other officers

### Board of Directors

George St. Galatariotis (Executive Chairman)  
Costas St. Galatariotis (Executive Director)  
Stavros G. St. Galatariotis (Executive Director)  
Tasos Anastasiou (Director)  
Michalis Moushouttas (Director)  
Antonis Antoniou Latouros (Director)

### Financial Manager

Elena Stylianou

### Company Secretary

#### **C.C.C. Secretarial Limited**

197 Makariou III Avenue  
Gala Tower  
CY-3030 Limassol  
Cyprus

### Auditors

PriceWaterhouseCoopers Ltd  
City House  
Karaiskaki 6  
3032 Limassol, Cyprus

### Registered office

197 Makariou III Avenue  
Gala Tower  
CY-3030 Limassol  
Cyprus

*\*\* True translation into English from the original set of financial statements which was prepared and audited in Greek and signed off on 24 April 2019. \*\**

# The Cyprus Cement Public Company Limited

## Declaration of Directors and other responsible officers of the Company for the preparation of the financial statements

In accordance with Article 9 sections 3 (c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law of 2007 (N190(I) 2007), as this was amended, we, the members of the Board of Directors and the Company officials responsible for the drafting of the consolidated and separate financial statements of The Cyprus Cement Public Company Limited for the year ended 31 December 2018, we confirm that, to the best of our knowledge:

- (a) the annual consolidated and separate financial statements which are presented on pages 16 to 82:
- (i) were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Article 9, section (4) of the Law, and
  - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of The Cyprus Cement Public Company Limited and the businesses that are included in the consolidated accounts as a total, and
- (b) the Management Report gives a fair review of the developments and the performance of the business as well as the financial position of The Cyprus Cement Public Company Limited and the businesses that are included in the consolidated accounts as a total, together with a description of the main risks and uncertainties they are facing.

### Members of the Board of Directors

| Name and surname                                 | Signature |
|--|-----------|
| George St. Galatariotis (Executive Chairman)     |           |
| Costas St. Galatariotis (Executive Director)     |           |
| Stavros G. St. Galatariotis (Executive Director) |           |
| Tasos Anastasiou (Director)                      |           |
| Michalis Moushouttas (Director)                  |           |
| Antonis Antoniou Latouros (Director)             |           |

### Responsible for the preparation of the financial statements

| Name and surname                    | Signature |
|-------------------------------------|-----------|
| Elena Stylianou (Financial Manager) |           |

Limassol, 24 April 2019

# The Cyprus Cement Public Company Limited

## Management Report

1 The Board of Directors of The Cyprus Cement Public Company Limited (the "Company"), and its subsidiaries and associated, collectively referred to as the "Group", presents its management report together with the audited consolidated financial statements of the Group and the audited separate financial statements of the Company for the year ended 31 December 2018.

### Principal activities

2 The principal activities of the Group and the Company are the development/exploitation of land and the undertaking of strategic investments in companies operating in hotel and tourism industry and in the production and sale of cement and related business.

### Changes in the Group

3 During the year there has been no change in Company's/Group structure. The Company/Group do not intend to make any redemption or merger.

### Review of developments, position and performance of the Group's and Company's operations

4 The net profit of the Group for the year 2018 amounted to €3.570 thousand (2017: net profit €4.332 thousand). The net profit for the year reduced compared to 2017 due to the reduced results from its associated company, Vassiliko Cement Works Public Company Limited (due to decreased sales and increased production cost). On 31 December 2018 the total assets of the Group were €327.479 thousand (2017: €327.324 thousand) and the total net assets were €281.813 thousand (2017: €281.757 thousand).

5 The net profit of the Company for the year 2018 amounted to €4.786 thousand (2017: net profit €6.674 thousand). The net profit for the year reduced compared to 2017 due to deferred tax adjustment of €9.669 thousand recognised in 2017 and the impairment loss on its investment in subsidiary, C.C.C. Real Estate Company Ltd of €6.898 thousand. During the year 2018 the Company received dividends from the associated Vassiliko Cement Works Public Company Ltd amounted to €4.641 thousand compared to €4.004 thousand in 2017. On 31 December 2018 the total assets of the Company were €316.546 thousand (2017: €314.408 thousand) and the net assets were €272.510 thousand (2017: €270.476 thousand).

6 The financial position, development and performance of the Company and Group as presented in these financial statements are considered satisfied.

### Non-financial information's

7 The Group/Company take into consideration and complies with all health, safety and environmental regulations that affect the operations where the Group/Company operates. In this context, the Board of Directors monitors on an ongoing basis non-financial Key Performance Indicators in relation to health, safety and environmental regulations. Until now, the Group/Company has not violated any of the aforementioned regulations. The Group/Company is not involved in any legal, governmental or arbitral proceedings that will result in any material obligations to the Group/Company. This is in line with the general culture and vision of the Group/Company.

# The Cyprus Cement Public Company Limited

## Management Report (continued)

### Principal risks and uncertainties

8 The major risks and uncertainties of the Group and the Company are disclosed in Notes 6, 7 and 29. The Group and the Company's activities are subject to various risks and uncertainties, the most significant of which are the risks connected to the construction and tourist industry. These activities are influenced by a number of factors which include, but are not limited to:

- The economic environment of Cyprus;
- National and international economic and geopolitical factors;
- The impact of war, terrorist acts, diseases and epidemics which may impact tourists' arrivals on the island;
- Increased internal competition as well as competition from neighbouring countries;
- Increases in energy costs;

9 The Group/Company monitors these risks through various mechanisms and revises its strategy in order to mitigate, to the extent this is possible, the impact of such risks.

### Use of financial instruments by the Group and the Company

10 The Group's/Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk.

11 The Company's and the Group's risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Company's and the Group's financial performance. Risk management is carried out by the Board of Directors.

### Fair value interest rate risk

12 The Group's/Company's interest rate risk arises from interest-bearing assets. Interest-bearing assets issued at fixed rates expose the Group and the Company to fair value interest rate risk.

13 At 31 December 2018, the Group's interest-bearing assets issued at fixed rate amounted to €9.283 thousand. The Company's interest-bearing assets issued at fixed rate amounted to €9.283 thousand. The Group's/Company's management monitors the fluctuations in interest rates on a continuous basis and acts accordingly. The Group/Company does not apply hedge accounting for fair value interest rate risk.

### Credit risk

14 Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and deposits with banks and financial institutions.

15 For banks and financial institutions, only independently parties are accepted. The Management estimates the contracting parties' credit quality, taking into consideration its financial performance, past experience and other factors.

# The Cyprus Cement Public Company Limited

## Management Report (continued)

16 On 1 January 2018, the Group/Company adopted IFRS 9 "Financial Instruments". In accordance with IFRS 9 the credit risk management policies were amended taking into account the expected credit loss model adopted by IFRS 9. For more details, see Note 6 - Credit risk.

### Liquidity risk

17 The Board of Directors monitors current liquidity on the basis of expected cash flows. Prudent liquidity risk management implies sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Board of Directors believes the management of the Group's/Company's exposure to liquidity risk is successful.

### Expected development of the Company and the Group

18 The Board of Directors does not expect any significant changes or developments in Company's and the Group's operations, financial position and performance for the foreseeable future.

### Results

19 The Group's results for the year are set out on pages 18 and 19 and the Company's results are set out on pages 20 and 21. Having assessed both the availability of profits for distribution and the Group's/Company's liquidity, the shareholders approved the payment of dividend as presented below.

### Dividends

20 On 29<sup>th</sup> June 2018, the Annual General Meeting of the Company's Shareholders approved the payment of dividend of €0,02 cents per share, amounted to €2.752 thousand, out of the profits of year 2017.

### Share capital

21 There were no changes to the share capital of the Company during the year 2018.

### Board of Directors

22 The members of the Board of Directors at 31 December 2018 and at the date of this report are presented on page 1. All of them were members of the Board throughout the year 2018.

23 In accordance with the Company's Articles of Association Messrs. Antonis Antoniou Latouros and Michalis Mousiouttas retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

24 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

# The Cyprus Cement Public Company Limited

## Management Report (continued)

### Corporate Governance Code

25 The Board of Directors has not adopted the provisions of the Corporate Governance Code. The Company is not obliged to adopt the provisions of the Code as its titles are traded in the Alternative Market of the Cyprus Stock Exchange. The main reason for the non-adoption of the Corporate Governance Code is that the Board of Directors expects that the costs to be incurred for the adoption of the Corporate Governance Code would be disproportionately higher than any anticipated benefits that may be derived from its adoption.

26 The Board of Directors is responsible for the establishment of adequate internal control procedures and risks control mechanisms, for the drafting, preparation, content and publication of all periodical information that is required of listed companies. The responsible person for the preparation of the financial statements is the Financial Manager.

27 Pursuant to article 78 of the Auditors' Law of 2017, the Board of Directors of the Company were proceeded to the establishment of an Audit Committee on 19 January 2018. The Audit Committee consists of the following members:

- Mr. Antonis Latouros - President of the Committee
- Mr. Michalis Mousiouttas - Member of the Committee
- Mr. Tasos Anastasiou - Member of the Committee

28 The majority of Audit Committee members are Independent Non-Executive Directors. The Committee will meet with external auditors for independent discussion without the presence of Executive Directors. The Audit Committee will review a wide range of financial issues, including annual and semi-annual results, statements and accompanying reports, before submitting them to the Board of Directors, as well as overseeing the procedures for choosing accounting principles and accounting calculations for the Company's financial statements. Also, the Audit Committee advises the Board of Directors on the appointment of external auditors and their fees for audit and non-audit work. The external auditors shall carry out independent and objective audits of internal financial control procedures only to the extent they deem necessary to express an opinion in their report on the accounts. The Audit Committee discusses extensively with the auditors the findings that have arisen during the audit as well as the auditors' report.

### *Shareholders holding more than 5% of the Company's share capital*

29 The shareholders who held at least 5% of the issued share capital of the Company on 24<sup>th</sup> April 2019 are as follows:

|   |        |
|---|--------|
| C.C.C. Holdings & Investments Limited * | 23,04% |
| K+G Complex Public Company Limited *    | 32,07% |
| George S. Galatariotis & Sons Limited*  | 13,47% |

\* Included in the interest of George St. Galatariotis as presented in the Directors' interest below.

30 The Company has not issued any titles with special control rights and there are no restrictions on voting rights.

# The Cyprus Cement Public Company Limited

## Management Report (continued)

31 The appointment and replacement of the members of the Board of Directors is done by the Company at its Annual General Meeting in accordance with the provisions of the Company's Articles of Association. The Company's Articles of Association provides that the Board of Directors has the power to appoint, at any time, any person as Director and such person that is appointed by the Board of Directors will hold his office until the next Annual General Meeting of the Company.

32 The Company's Articles of Association can be modified by the passing of a Special Resolution at an Extraordinary General Meeting of the shareholders.

33 The Board of Directors, subject to approval by the Company's shareholders, may issue or repurchase Company's shares. The issue of any new shares is further subject to the provisions of the Company's Articles of Association, the prevailing law and the principle of fair treatment to all existing shareholders.

34 The Board of Directors consists of 6 members and meetings are convened at regular intervals. The Board of Directors approves the Company's strategy and supervises the adoption and realization of the Company's and Group's strategic development.

### *Directors' interest in the Company's share capital*

35 The beneficial interest in the Company's share capital held by each Director, their spouse, children and companies in which they hold directly or indirectly at least 20% of the shares with voting rights in a general meeting, at 31 December 2018 and on 24 April 2019 was as follows:

|  | At 24 April<br>2019<br>% | At 31 December<br>2018<br>% |
|--|--------------------------|-----------------------------|
| George St. Galatariotis <sup>(1)</sup>     | 69,97                    | 69,97                       |
| Costas St. Galatariotis <sup>(1)</sup>     | -                        | -                           |
| Stavros G. St. Galatariotis <sup>(1)</sup> | -                        | -                           |
| Michalis Moushouttas                       | -                        | -                           |
| Antonis Antoniou Latouros                  | 0,05                     | 0,05                        |
| Tasos Anastasiou                           | -                        | -                           |

(1) The total interest held by Mr. George St. Galatariotis includes his indirect participation resulting from family relationships between himself and Stavros G. St. Galatariotis and Costas St. Galatariotis, their direct and indirect interest through companies which they control.

### **Contracts with Directors and related parties**

36 Other than the transactions and the balances with Directors and related parties referred to in Note 30 of the financial statements, there were no other significant contracts with the Company, or its subsidiaries as at 31 December 2018 in which the Directors or related parties had a material interest. Related persons include the spouse, minor children and companies in which Directors hold directly or indirectly at least 20% of the voting rights in a general meeting.

### **Events after the balance sheet date**

37 The material post balance sheet events, which have a bearing on the understanding of the financial statements are presented in Note 31.



# **The Cyprus Cement Public Company Limited**

## **Management Report (continued)**

### **Branches**

38 During the year the Company and the Group did not operate any branches.

### **Independent auditors**

39 The independent auditors of the Company, Pricewaterhousecoopers Ltd, have expressed their willingness to continue in office. A Resolution authorising the Board of Directors to fix their fee will be proposed at the Annual General Meeting.

**By Order of the Board**

**C.C.C. Secretarial Limited**  
**Secretary**

Limassol, 24 April 2019



## **Independent Auditor's Report**

### **To the Members of The Cyprus Cement Public Company Limited**

#### **Report on the Audit of the Consolidated and Separate Financial Statements**

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##### *Our opinion*

In our opinion, the accompanying consolidated financial statements of The Cyprus Cement Public Company Limited (the "Company") and its subsidiaries (together the "Group") and the accompanying separate financial statements of the Company give a true and fair view of the consolidated and separate financial position of the Group and Company respectively as at 31 December 2018, and of the consolidated and separate financial performance and the consolidated and separate cash flows of the Group and the Company respectively, for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

##### **What we have audited**

We have audited the consolidated and separate financial statements which are presented in pages 18 to 82 and comprise:

- the consolidated balance sheet as at 31 December 2018;
- the balance sheet of the Company as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the income statement of the Company for the year then ended;
- the statement of comprehensive income of the Company for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the statement of changes in equity of the Company the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the cash flow statement of the Company for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated and separate financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report.

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

### **Independence**

We remained independent of the Group and the Company throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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### *Audit approach*

#### **Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key Audit Matter  | How our audit addressed the Key Audit Matter   |
|---|--|
| <p><b>Fair value of land for development</b></p> <p>Refer to Notes 7 and 17 of the consolidated and separate financial statements.</p> <p>We focused on this matter due to the size of the fair value of the land for development amounting to €238.108 thousands at 31 December 2018 and due to the complexity and high degree of subjectivity of the management's assessment of the fair value of the property, including the high degree of subjectivity in the method used to separate the property into notional zones.</p> <p>The Group's management estimates that the fair value of land under development has not changed significantly from the fair value as determined at 31 December 2017 (Note 17).</p> | <p>We discussed with the Group's management and assessed the data, assumptions, valuation methodology and calculations made by the Group's Management for the estimation of the fair value of the property, based on data and assumptions of high subjectivity, particularly in relation to the separation of the property into notional zones.</p> <p>The separation of the property into notional zones was done to take into account the diversity and geographic advantages of each zone.</p> <p>Internal experts of our office, with the required knowledge and skills, have been involved to support us in our assessment of the fair value measurement of the property performed by the Group's Management.</p> |

More specifically, with the support of internal experts, we examined the calculations made by the Group's Management and the technical and mathematical accuracy of the valuation model. We also evaluated the reasonableness of the significant assumptions made by the Group's Management through a comparison with observable market data.

In addition, we evaluated the sensitivity analysis in relation to the effect on the fair value of the property on profits arising from the change in the separation of the property into notional zones.

Finally, we evaluated the adequacy of the disclosures made in Note 17 of the consolidated and separate financial statements in relation to the data, key assumptions and sensitivity analysis on a specific key assumption.

The results of the above procedures were satisfactory for the purposes of our audit.

#### Key Audit Matter

#### How our audit addressed the Key Audit Matter

##### **Fair value of financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets)**

Refer to Notes 7 and 20 of the consolidated and separate financial statements.

We focused on this matter because of the size of the fair value of financial assets at fair value through other comprehensive income of €20.703 thousands at 31 December 2018 and because of the complexity and high degree of subjectivity involved in the Group's Management's assessment of the fair value of the investment.

We discussed with the Group's management and assessed the data, assumptions, valuation methodology and calculations made by the Group's Management to estimate the fair value of financial assets at fair value through other comprehensive income.

We as the group auditors have been involved in the audit work of the reporting unit for which the work was performed by component auditors to conclude whether sufficient appropriate audit evidence in relation to our assessment of the fair value measurement of the investment has been obtained. Our involvement in that work included, amongst others, review of the audit work in the files of component auditors in scope and frequent communications with component audit teams to ensure that our audit plan was appropriately executed.

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The fair value of the investment was estimated by the Group's management based on the discounted cash flow method for the valuation of the residential apartments building and the EBITDA multiple method for the valuation of the hotel complex.

The fair value of the investment was estimated by the Group's Management at €20.703 thousands at 31 December 2018.

Additionally, internal experts of our office, with the required knowledge and skills, have been involved to support us in our assessment of the fair value of the investment.

More specifically, with the support of our internal experts, we examined the calculations made by the Group's Management and the technical and mathematical accuracy of the valuation model. We also assessed the reasonableness of the significant assumptions made by the Group's Management through a comparison with observable market data. We also assessed the fair value of the borrowings of the investment and the capital expenditures until the completion of the project which adjusted the fair value of the investment.

In addition, we evaluated the sensitivity analysis of the Group's Management in relation to the effect on the fair value of the investment in other comprehensive income arising from the change in the key assumptions.

Finally, we evaluated the adequacy of the disclosures made in Note 20 of the consolidated and separate financial statements in relation to the data, key assumptions and sensitivity analysis on these key assumptions.

The results of the above procedures were satisfactory for the purposes of our audit.

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### *Reporting on other information*

The Board of Directors is responsible for the other information. The other information comprises the information included in the Declaration of the Board of Directors and other Company officials responsible for the financial statements and in the Management Report, but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of the Board of Directors and those charged with governance for the Consolidated and Separate Financial Statements*

The Board of Directors is responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Board of Directors is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group and the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

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### *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters.

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### *Report on Other Legal and Regulatory Requirements*

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

#### ***Appointment of the Auditor and Period of Engagement***

We were first appointed as auditors of the Company in 2008 by the Board of Directors for the audit of the financial statements for the year ended 31 December 2008. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 10 years. The Company has proceeded with a tendering procedure for the year ended 31 December 2018 and has resolved our reappointment.

#### ***Consistency of the Additional Report to the Audit Committee***

We confirm that our audit opinion on the consolidated and separate financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 24 April 2019 in accordance with Article 11 of the EU Regulation 537/2014.

#### ***Provision of Non-audit Services***

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and the Company and which have not been disclosed in the consolidated and separate financial statements or the management report.

#### ***Other Legal Requirements***

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated and separate financial statements.
- In light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.



- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated and separate financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

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#### *Other Matter*

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Elias M. Theodorou.

Elias M. Theodorou  
Certified Public Accountant and Registered Auditor  
for and on behalf of

PricewaterhouseCoopers Limited  
Certified Public Accountants and Registered Auditors  
City House, 6 Karaiskakis Street,  
CY-3032 Limassol, Cyprus

Limassol, 24 April 2019



# The Cyprus Cement Public Company Limited

## Consolidated income statement for the year ended 31 December 2018

|   | Note | 2018<br>€000 | 2017<br>€000   |
|---|------|--------------|----------------|
| Revenue   | 10   | 286          | 393            |
| Administrative expenses   | 11   | (767)        | (974)          |
| Other losses  | 9    | -            | (6.336)        |
| <b>Operating loss</b>   |      | <b>(481)</b> | <b>(6.917)</b> |
| Finance costs   | 12   | -            | (335)          |
| Share of profit from investments accounted for using equity method                        | 18   | 4.051        | 4.960          |
| <b>Profit/(loss) before tax</b>   |      | <b>3.570</b> | <b>(2.292)</b> |
| Taxation  | 13   | -            | 6.624          |
| <b>Profit for the year</b>  |      | <b>3.570</b> | <b>4.332</b>   |
| <b>Profit for the year attributable to:</b>   |      |              |                |
| Owners of the Company   |      | 3.582        | 4.348          |
| Non-controlling interest  |      | (12)         | (16)           |
|   |      | <b>3.570</b> | <b>4.332</b>   |
| <b>Profit per share attributable to the shareholders of the Company (cent per share):</b> |      |              |                |
| - Basic and fully diluted   | 14   | <b>2,60</b>  | <b>3,16</b>    |

The notes on pages 29 to 82 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Consolidated statement of comprehensive income for the year ended 31 December 2018

|  | Note | 2018<br>€000 | 2017<br>€000 |
|--|------|--------------|--------------|
| <b>Profit for the year</b>   |      | <b>3.570</b> | 4.332        |
| <b>Other comprehensive income:</b>                                 |      |              |              |
| <b>Items that cannot be reclassified in profit or loss:</b>        |      |              |              |
| Share of reserves of investments accounted for using equity method | 18   | (761)        | 230          |
| Reversal of deferred tax   | 26   | -            | 2.288        |
| Other comprehensive income for the year                            |      | <b>(761)</b> | 2.518        |
| <b>Total comprehensive income for the year</b>                     |      | <b>2.809</b> | 6.850        |
| <b>Total comprehensive income for the year attributable to:</b>    |      |              |              |
| Owners of the parent   |      | 2.821        | 6.866        |
| Non-controlling interest   |      | (12)         | (16)         |
|  |      | <b>2.809</b> | 6.850        |

The items in the above statement are disclosed net of tax. The tax related to each component of other comprehensive income is disclosed in Note 13.

The notes on pages 29 to 82 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Company's income statement for the year ended 31 December 2018

|                                  | Note | 2018<br>€000 | 2017<br>€000   |
|----------------------------------|------|--------------|----------------|
| Revenue                          | 10   | 4.927        | 4.356          |
| Administrative expenses          | 11   | (141)        | (214)          |
| Other losses                     | 9    | -            | (6.898)        |
| <b>Operating profit/(loss)</b>   |      | <b>4.786</b> | <b>(2.756)</b> |
| Finance costs                    | 12   | -            | (239)          |
| <b>Profit/(loss) before tax</b>  |      | <b>4.786</b> | <b>(2.995)</b> |
| Taxation                         | 13   | -            | 9.669          |
| <b>Total Profit for the year</b> |      | <b>4.786</b> | <b>6.674</b>   |

The notes on pages 29 to 82 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Company's statement of comprehensive income for the year ended 31 December 2018

|   | 2018<br>€000        | 2017<br>€000        |
|---|---------------------|---------------------|
| Profit for the year                     | 4.786               | 6.674               |
| Other comprehensive income for the year | <u>-</u>            | <u>-</u>            |
| Total comprehensive income for the year | <u><u>4.786</u></u> | <u><u>6.674</u></u> |

The notes on pages 29 to 82 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Consolidated balance sheet at 31 December 2018

|   | Note | 2018<br>€000          | 2017<br>€000          |
|---|------|-----------------------|-----------------------|
| <b>Assets</b>   |      |                       |                       |
| <b>Non-current assets</b>   |      |                       |                       |
| Property, plant and equipment                                     | 16   | 19                    | 28                    |
| Investment property   | 17   | 238.108               | 237.108               |
| Investments accounted for using the equity method                 | 18   | 56.534                | 57.885                |
| Financial assets at fair value through other comprehensive income | 20   | 20.703                | 20.703                |
|   |      | <u>315.364</u>        | <u>316.764</u>        |
| <b>Current assets</b>   |      |                       |                       |
| Financial assets at amortised cost                                | 21   | 9.593                 | 8.849                 |
| Other assets  | 23   | 513                   | 410                   |
| Cash and cash equivalents at bank                                 | 22   | 2.009                 | 1.341                 |
|   |      | <u>12.115</u>         | <u>10.600</u>         |
| <b>Total assets</b>   |      | <u><b>327.479</b></u> | <u><b>327.324</b></u> |
| <b>Equity and liabilities</b>                                     |      |                       |                       |
| <b>Equity attributable to owners of the parent</b>                |      |                       |                       |
| Share capital   | 24   | 59.173                | 59.173                |
| Share premium   | 24   | 910                   | 910                   |
| Fair value reserve  |      | 105.582               | 106.344               |
| Revenue reserve   |      | 17.236                | 17.236                |
| Other reserves  |      | (15)                  | (15)                  |
| Retained earnings   |      | 92.154                | 91.324                |
|   |      | <u>275.040</u>        | <u>274.973</u>        |
| <b>Non-controlling interest</b>                                   |      | <b>6.773</b>          | <b>6.784</b>          |
| <b>Total equity</b>   |      | <u><b>281.813</b></u> | <u><b>281.757</b></u> |
| <b>Non-current liabilities</b>                                    |      |                       |                       |
| Deferred tax liabilities  | 26   | 45.213                | 45.213                |
| Provisions  | 28   | 300                   | 300                   |
|   |      | <u>45.513</u>         | <u>45.513</u>         |

# The Cyprus Cement Public Company Limited

## Consolidated balance sheet at 31 December 2018 (continued)

|                                     | Note | 2018<br>€000   | 2017<br>€000   |
|-------------------------------------|------|----------------|----------------|
| <b>Current liabilities</b>          |      |                |                |
| Trade and other payables            | 27   | 153            | 54             |
|                                     |      | <u>153</u>     | <u>54</u>      |
| <b>Total liabilities</b>            |      | <u>45.666</u>  | <u>45.567</u>  |
| <b>Total equity and liabilities</b> |      | <u>327.479</u> | <u>327.324</u> |

On 24 April 2019 the Board of Directors of The Cyprus Cement Public Company Limited authorised these financial statements for issue.

George St. Galatariotis, Executive Chairman

Costas St. Galatariotis, Executive Director

The notes on pages 29 to 82 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Company's balance sheet at 31 December 2018

|                                     | Note | 2018<br>€000          | 2017<br>€000          |
|-------------------------------------|------|-----------------------|-----------------------|
| <b>Assets</b>                       |      |                       |                       |
| <b>Non-current assets</b>           |      |                       |                       |
| Property, plant and equipment       | 16   | 19                    | 28                    |
| Investment property                 | 17   | 837                   | 837                   |
| Investments in subsidiaries         | 19   | 249.950               | 249.950               |
| Investments in associated           | 18   | 52.608                | 52.608                |
|                                     |      | <u>303.414</u>        | <u>303.423</u>        |
| <b>Current assets</b>               |      |                       |                       |
| Financial assets at amortised cost  | 21   | 11.122                | 9.644                 |
| Cash and cash equivalents at bank   | 22   | 2.010                 | 1.341                 |
|                                     |      | <u>13.132</u>         | <u>10.985</u>         |
| <b>Total assets</b>                 |      | <u><b>316.546</b></u> | <u><b>314.408</b></u> |
| <b>Equity and liabilities</b>       |      |                       |                       |
| <b>Capital and reserves</b>         |      |                       |                       |
| Share capital                       | 24   | 59.173                | 59.173                |
| Share premium                       | 24   | 910                   | 910                   |
| Revenue reserve                     |      | 17.283                | 17.283                |
| Retained earnings                   |      | 195.144               | 193.110               |
|                                     |      | <u>272.510</u>        | <u>270.476</u>        |
| <b>Non-current liabilities</b>      |      |                       |                       |
| Deferred tax liabilities            | 26   | 43.897                | 43.897                |
|                                     |      | <u>43.897</u>         | <u>43.897</u>         |
| <b>Current liabilities</b>          |      |                       |                       |
| Trade and other payables            | 27   | 139                   | 35                    |
|                                     |      | <u>139</u>            | <u>35</u>             |
| <b>Total liabilities</b>            |      | <u><b>44.036</b></u>  | <u><b>43.932</b></u>  |
| <b>Total equity and liabilities</b> |      | <u><b>316.546</b></u> | <u><b>314.408</b></u> |

On 24 April 2019 the Board of Directors of The Cyprus Cement Public Company Limited authorised these financial statements for issue.

George St. Galatariotis  
Executive Chairman

Costas St. Galatariotis  
Executive Director

The notes on pages 29 to 82 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Consolidated statement of changes in equity for the year ended 31 December 2018

|   | Attributable to owners of the Company |   |  |  |                            |   | Total<br>€000  | Non-<br>controlling<br>interest<br>€000 | Total<br>equity<br>€000 |
|---|---------------------------------------|---|--|--|----------------------------|---|----------------|---|-------------------------|
|   | Share<br>Capital<br>€000              | Share<br>premium <sup>(2)</sup><br>€000 | Fair value<br>reserve <sup>(2)</sup><br>€000 | Other<br>reserves <sup>(2)</sup><br>€000 | Revenue<br>reserve<br>€000 | Retained<br>earnings <sup>(1)</sup><br>€000 |                |   |                         |
| <b>Balance at 1 January 2017</b>  | <b>59.173</b>                         | <b>910</b>                              | <b>115.266</b>                               | <b>(15)</b>                              | <b>17.236</b>              | <b>77.760</b>                               | <b>270.331</b> | <b>6.798</b>                            | <b>277.129</b>          |
| <b>Comprehensive income</b>   |                                       |   |  |  |                            |   |                |   |                         |
| Profit for the year   | -                                     | -                                       | -  | -  | -                          | 4.348                                       | 4.348          | (16)                                    | 4.332                   |
| <b>Other comprehensive income</b>   |                                       |   |  |  |                            |   |                |   |                         |
| Reversal of deferred tax (Note 26)  | -                                     | -                                       | 2.288  | -  | -                          | -   | 2.288          | -                                       | 2.288                   |
| Share of fair value and other reserves of<br>associated companies (Note 18) | -                                     | -                                       | 230  | -  | -                          | -   | 230            | -                                       | 230                     |
| Transfer between reserves   | -                                     | -                                       | (11.440)                                     | -  | -                          | 11.440                                      | -              | -                                       | -                       |
| Total other comprehensive income  | -                                     | -                                       | (8.922)                                      | -  | -                          | 11.440                                      | 2.518          | -                                       | 2.518                   |
| Total comprehensive income for the<br>year 2017                             | -                                     | -                                       | (8.922)                                      | -  | -                          | 15.788                                      | 6.866          | (16)                                    | 6.850                   |
| <b>Transactions with owners</b>   |                                       |   |  |  |                            |   |                |   |                         |
| Loss of control of subsidiary companies                                     | -                                     | -                                       | -  | -  | -                          | (22)  | (22)           | 2                                       | (20)                    |
| Dividend paid from the profits of 2016 and<br>prior years (Note 15)         | -                                     | -                                       | -  | -  | -                          | (2.202)                                     | (2.202)        | -                                       | (2.202)                 |
| Total transactions with owners  | -                                     | -                                       | -  | -  | -                          | (2.224)                                     | (2.224)        | 2                                       | (2.222)                 |
| <b>Balance at 31 December 2017</b>  | <b>59.173</b>                         | <b>910</b>                              | <b>106.344</b>                               | <b>(15)</b>                              | <b>17.236</b>              | <b>91.324</b>                               | <b>274.973</b> | <b>6.784</b>                            | <b>281.757</b>          |



# The Cyprus Cement Public Company Limited

## Consolidated statement of changes in equity for the year ended 31 December 2018 (continued)

|  | Attributable to owners of the Company |                                      |   |                                       |                         |  | Non-controlling interest<br>€000 | Total equity<br>€000 |                |
|--|---------------------------------------|--------------------------------------|---|---------------------------------------|-------------------------|--|----------------------------------|----------------------|----------------|
|  | Share Capital<br>€000                 | Share premium <sup>(2)</sup><br>€000 | Fair value reserve <sup>(2)</sup><br>€000 | Other reserves <sup>(2)</sup><br>€000 | Revenue reserve<br>€000 | Retained earnings <sup>(1)</sup><br>€000 |                                  |                      | Total<br>€000  |
| <b>Balance at 1 January 2018</b>   | <b>59.173</b>                         | <b>910</b>                           | <b>106.344</b>                            | <b>(15)</b>                           | <b>17.236</b>           | <b>91.324</b>                            | <b>274.973</b>                   | <b>6.784</b>         | <b>281.757</b> |
| <b>Comprehensive income</b>  |                                       |                                      |   |                                       |                         |  |                                  |                      |                |
| Profit for the year  | -                                     | -                                    | -   | -                                     | -                       | 3.582                                    | 3.582                            | (12)                 | 3.570          |
| <b>Other comprehensive income</b>  |                                       |                                      |   |                                       |                         |  |                                  |                      |                |
| Share of fair value and other reserves of associated companies (Note 18) | -                                     | -                                    | (761)                                     | -                                     | -                       | -  | (761)                            | -                    | (761)          |
| Total other comprehensive income   | -                                     | -                                    | (761)                                     | -                                     | -                       | -  | (761)                            | -                    | (761)          |
| Total comprehensive income for the year 2018                             | -                                     | -                                    | (761)                                     | -                                     | -                       | 3.582                                    | 2.821                            | (12)                 | 2.809          |
| <b>Transactions with owners</b>  |                                       |                                      |   |                                       |                         |  |                                  |                      |                |
| Dividend paid from the profits of 2017 (Note 15)                         | -                                     | -                                    | -   | -                                     | -                       | (2.752)                                  | (2.752)                          | -                    | (2.752)        |
| Total transactions with owners   | -                                     | -                                    | -   | -                                     | -                       | (2.752)                                  | (2.752)                          | -                    | (2.752)        |
| <b>Balance at 31 December 2018</b>                                       | <b>59.173</b>                         | <b>910</b>                           | <b>105.582</b>                            | <b>(15)</b>                           | <b>17.236</b>           | <b>92.154</b>                            | <b>275.040</b>                   | <b>6.773</b>         | <b>281.813</b> |

# The Cyprus Cement Public Company Limited

## Consolidated statement of changes in equity for the year ended 31 December 2018 (continued)

- (1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The special contribution for defence rate increased from 15% to 17% in respect of profits of year of assessment 2009 and to 20% in respect of profits of years of assessment 2010 and 2011 and is reduced back to 17% in respect of profits of years of assessment 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.
- (2) The share premium, the fair value reserve and other reserves are not available for distribution in the form of dividends.
- (3) The fair value reserves includes losses of €2.977 thousand, which related to financial assets held at fair value through other reserves as adopted by IFRS 9.

The notes on pages 29 to 82 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Company's statement of changes in equity for the year ended 31 December 2018

|  | Share<br>capital<br>€000 | Share<br>premium <sup>(2)</sup><br>€000 | Revenue<br>reserve<br>€000 | Retained<br>earnings <sup>(1)</sup><br>€000 | Total<br>€000  |
|--|--------------------------|---|----------------------------|---|----------------|
| <b>Balance at 1 January 2017</b>                                 | <b>59.173</b>            | <b>910</b>                              | <b>17.283</b>              | <b>188.638</b>                              | <b>266.004</b> |
| <b>Comprehensive Income</b>                                      |                          |   |                            |   |                |
| Profit for the year  | -                        | -                                       | -                          | 6.674                                       | 6.674          |
| Total comprehensive income for the year 2017                     | -                        | -                                       | -                          | 6.674                                       | 6.674          |
| <b>Transactions with owners</b>                                  |                          |   |                            |   |                |
| Dividend paid from the profits of 2016 and prior years (Note 15) | -                        | -                                       | -                          | (2.202)                                     | (2.202)        |
| <b>Total transactions with owners</b>                            | -                        | -                                       | -                          | <b>(2.202)</b>                              | <b>(2.202)</b> |
| <b>Balance at 31 December 2017/1 January 2018</b>                | <b>59.173</b>            | <b>910</b>                              | <b>17.283</b>              | <b>193.110</b>                              | <b>270.476</b> |
| <b>Comprehensive Income</b>                                      |                          |   |                            |   |                |
| Profit for the year  | -                        | -                                       | -                          | 4.786                                       | 4.786          |
| Total comprehensive income for the year 2018                     | -                        | -                                       | -                          | 4.786                                       | 4.786          |
| <b>Transactions with owners</b>                                  |                          |   |                            |   |                |
| Dividend paid from the profits of 2017 (Note 15)                 | -                        | -                                       | -                          | (2.752)                                     | (2.752)        |
| <b>Total transactions with owners</b>                            | -                        | -                                       | -                          | <b>(2.752)</b>                              | <b>(2.752)</b> |
| <b>Balance at 31 December 2018</b>                               | <b>59.173</b>            | <b>910</b>                              | <b>17.283</b>              | <b>195.144</b>                              | <b>272.510</b> |

<sup>(1)</sup> Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The special contribution for defence rate increased from 15% to 17% in respect of profits of year of assessment 2009 and to 20% in respect of profits of years of assessment 2010 and 2011 and is reduced back to 17% in respect of profits of years of assessment 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

<sup>(2)</sup> The share premium reserve is not available for distribution in the form of dividends.

The notes on pages 29 to 82 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Consolidated statement of cash flows for the year ended 31 December 2018

|  | Note   | 2018<br>€000        | 2017<br>€000        |
|--|--------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                          |        |                     |                     |
| Profit/(loss) before tax   |        | 3.570               | (2.292)             |
| Adjustments for:   |        |                     |                     |
| Depreciation of property, plant and equipment                        | 16     | 9                   | 9                   |
| Interest income  | 10     | (286)               | (393)               |
| Interest expense   | 12     | -                   | 335                 |
| Share of profit of investments accounted for using the equity method | 18     | (4.051)             | (4.960)             |
| Net losses from investment property                                  | 9      | -                   | 6.336               |
|  |        | <u>(757)</u>        | <u>(965)</u>        |
| Changes in working capital:  |        |                     |                     |
| Financial assets at amortised cost                                   |        | (207)               | (82)                |
| Other assets   |        | (104)               | (81)                |
| Trade and other payables   |        | 5                   | 95                  |
| <b>Cash used in operations</b>                                       |        | <u>(1.063)</u>      | <u>(1.033)</u>      |
| Tax paid   |        | -                   | -                   |
| <b>Net cash used in operating activities</b>                         |        | <u>(1.063)</u>      | <u>(1.033)</u>      |
| <b>Cash flows from investing activities</b>                          |        |                     |                     |
| Proceeds from dividends received                                     |        | 4.641               | 4.004               |
| Loans granted to related parties                                     |        | (1.181)             | (560)               |
| Interest received  |        | -                   | 41                  |
| <b>Net cash from investing activities</b>                            |        | <u>3.460</u>        | <u>3.485</u>        |
| <b>Cash flows from financing activities</b>                          |        |                     |                     |
| Repayments of bank borrowings  |        | -                   | (203)               |
| Proceeds from loans from related parties                             | 30 (v) | -                   | 380                 |
| Dividends paid   |        | (1.729)             | (692)               |
| Interest paid  |        | -                   | (311)               |
| <b>Net cash used in financing activities</b>                         |        | <u>(1.729)</u>      | <u>(826)</u>        |
| <b>Net increase in cash and cash equivalents</b>                     |        | <u>668</u>          | <u>1.626</u>        |
| <b>Cash and cash equivalents at beginning of year</b>                |        | <u>1.341</u>        | <u>(285)</u>        |
| <b>Cash and cash equivalents at end of year</b>                      | 22     | <u><u>2.009</u></u> | <u><u>1.341</u></u> |

The notes on pages 29 to 82 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Company's statement of cash flows for the year ended 31 December 2018

|   | Note   | 2018<br>€000        | 2017<br>€000        |
|---|--------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>           |        |                     |                     |
| Profit/(Loss) before tax                              |        | 4.786               | (2.995)             |
| Adjustments for:                                      |        |                     |                     |
| Dividend income                                       | 10     | (4.641)             | (4.004)             |
| Depreciation of property, plant and equipment         | 16     | 9                   | 9                   |
| Interest expense                                      | 12     | -                   | 239                 |
| Interest income                                       | 10     | (286)               | (352)               |
| Impairment of investment in subsidiary                | 9      | -                   | 6.898               |
|   |        | <u>(132)</u>        | <u>(205)</u>        |
| Changes in working capital:                           |        |                     |                     |
| Financial assets at amortised cost                    |        | (941)               | (1.002)             |
| Trade and other payables                              |        | 11                  | 3                   |
| <b>Cash used in operations</b>                        |        | <u>(1.062)</u>      | <u>(1.204)</u>      |
| Tax paid  |        | -                   | -                   |
| <b>Net cash used in operating activities</b>          |        | <u>(1.062)</u>      | <u>(1.204)</u>      |
| <b>Cash flows from investing activities</b>           |        |                     |                     |
| Proceeds from dividends received                      |        | 4.641               | 4.004               |
| Loans granted to related parties                      |        | (1.181)             | (560)               |
| <b>Net cash from investing activities</b>             |        | <u>3.460</u>        | <u>3.444</u>        |
| <b>Cash flows from financing activities</b>           |        |                     |                     |
| Repayments of bank borrowings                         |        | -                   | (203)               |
| Proceeds from loans from related parties              | 30 (v) | -                   | 380                 |
| Dividends paid  |        | (1.729)             | (692)               |
| Interest paid   |        | -                   | (208)               |
| <b>Net cash used in financing activities</b>          |        | <u>(1.729)</u>      | <u>(723)</u>        |
| <b>Net increase in cash and cash equivalents</b>      |        | <u>669</u>          | <u>1.517</u>        |
| <b>Cash and cash equivalents at beginning of year</b> |        | <u>1.341</u>        | <u>(176)</u>        |
| <b>Cash and cash equivalents at end of year</b>       | 22     | <u><u>2.010</u></u> | <u><u>1.341</u></u> |

The notes on pages 29 to 82 are an integral part of these financial statements.

# The Cyprus Cement Public Company Limited

## Notes to the financial statements

### 1 General information

#### Country of incorporation

The Cyprus Cement Public Company Limited (the “Company”) was incorporated in Cyprus in 1951, as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 and later became a public company. The Company is listed on the Cyprus Stock Exchange. The registered office of the Company is at 197 Makariou III Avenue, Gala Tower, CY-3030 Limassol, Cyprus.

#### Principal activities

The principal activities of the Group and the Company, are the development/exploitation of land and the undertaking of strategic investments in companies operating in hotel and tourism industry and in the manufacturing and sale of cement and related business.

### 2 Basis of preparation

The consolidated financial statements of The Cyprus Cement Public Company Limited and its subsidiaries and associated (together the “Group”) and the separate financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2018 have been adopted by the EU through the endorsement procedure established by the European Commission.

The principal accounting policies applied in the preparation of these financial statements are set out below in Note 4. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated (refer to Notes 3, 4 and 32). The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in Note 32.

The financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value and by the revaluation of investment property and financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company’s and Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

### 3 Adoption of new and revised IFRSs

During the current year the Group/ Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Group/ Company with the exception of the IFRS 9 “Financial Instruments”.

# The Cyprus Cement Public Company Limited

## 3 Adoption of new and revised IFRSs (continued)

In accordance with the transition provisions of IFRS 9, the Group/ Company has elected the simplified approach for adoption of the standards. Accordingly, IFRS 9 was adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 39.

The Company and the Group have voluntarily changed the presentation of certain amounts in the comparative balance sheet as disclosed in the table below to reflect the terminology of IFRS 9.

|  | 31<br>December<br>2017 as<br>previously<br>presented<br>€ 000 | Reclassifications<br>€000 | 1 January<br>2018 under<br>IFRS 9<br>€000 |
|--|---|---------------------------|---|
| <b>The Group</b>   |   |                           |   |
| Available-for-sale financial assets                                  | 20.703  | (20.703)                  | -   |
| Loans receivable   | 8.663   | (8.663)                   | -   |
| Other receivables  | 596   | (596)                     | -   |
| Financial assets at fair value through other<br>comprehensive income | -   | 20.703                    | <b>20.703</b>                             |
| Financial assets at amortised cost                                   | -   | 8.849                     | <b>8.849</b>                              |
| Other assets   | -   | 410                       | <b>410</b>                                |

|                                    | 31<br>December<br>2017 as<br>previously<br>presented<br>€ 000 | Reclassifications<br>€000 | 1 January<br>2018 under<br>IFRS 9<br>€000 |
|------------------------------------|---|---------------------------|---|
| <b>The Company</b>                 |   |                           |   |
| Loans receivable                   | 8.663   | (8.663)                   | -   |
| Other receivables                  | 981   | (981)                     | -   |
| Financial assets at amortised cost | -   | 9.644                     | <b>9.644</b>                              |

### IFRS 9 “Financial instruments”

IFRS 9 “Financial instruments” replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (either FVTPL or FVPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity’s business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity’s intentions and designation.

In particular, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

# The Cyprus Cement Public Company Limited

## 3 Adoption of new and revised IFRSs (continued)

### IFRS 9 “Financial instruments” (continued)

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

With the introduction of IFRS 9 “Financial Instruments”, the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in derecognition shall be recognized in profit or loss.

The Group/Company has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Group's/Company's new accounting policies following adoption of IFRS 9 at 1 January 2018 are set out in Note 4.

#### ***Impact of adoption***

In accordance with the transition provisions in IFRS 9, the Company and the Group have elected the simplified transition method for adopting the new standard which allows the effect of transition to IFRS 9 to be recognised in retained earnings as at 1 January 2018. In accordance with the transition method elected by the Group/Company for implementation of IFRS 9 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 39. Consequently, the revised requirements of IFRS 7 “Financial Instruments: Disclosures” have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

On 1 January 2018 for debt instruments held by the Group/Company, which were classified as “Loans receivable” management has assessed which business models apply to the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI test). In addition separate assessment for equity instruments held by the Group/Company was performed, in respect of whether they are held for trading or not. As a result of both assessments management has classified its debt and equity instruments into the appropriate IFRS 9 categories. The adoption of IFRS 9 did not had any effect on the classification and measurement of financial liabilities of the Group and the Company.



# The Cyprus Cement Public Company Limited

## 3 Adoption of new and revised IFRSs (continued)

### IFRS 9 “Financial instruments” (continued)

#### *Impact of adoption (continued)*

As a result of the adoption of IFRS 9 the Group/Company revised its impairment methodology for each class of assets subject to the new impairment requirements. From 1 January 2018, the Group/Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI and cash and cash. The impairment methodology applied depends on whether there has been a significant increase in credit risk and whether the debt instruments qualify as low credit risk and whether the debt investments qualify as low credit risk.

The Group/Company has the following types of assets that are subject to IFRS 9’s new expected credit loss model: financial assets at amortised cost and cash and cash equivalents. The Group/Company has adopted the general expected credit loss model for these financial assets. Based on the assessment performed by management, the incremental impairment loss as of 1 January 2018 was not significant. Accordingly, the impact of adoption of IFRS 9 on the Group’s/Company’s retained earnings as of 1 January 2018 was not significant.

- *Investments in equity securities previously classified as available-for-sale (AFS)*

The Group elected to present in OCI changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of €20.703 thousand were reclassified from available-for-sale financial assets to financial assets at FVOCI. The fair value reserve includes losses amounting to €2.977 thousand relating to available-for-sale financial assets which were reclassified to the financial assets at FVOCI reserve on 1 January 2018.

- *Other financial instruments*

For all other financial assets management assessed that the Group’s/Company’s business model for managing the assets is “hold to collect” and these assets meet SPPI tests. As a result all other financial assets were classified as financial assets at amortised cost and reclassified from the category “loans and receivables” under IAS 39, which was “retired”.

Previously under IAS 39 these financial assets were also measured at amortised cost. Thus there were no impact of adoption of IFRS 9 as of 1 January 2018.

At 31 December 2017, all of the Group’s/Company’s financial liabilities were carried at amortised cost. Starting from 1 January 2018 the Group’s/Company’s financial liabilities continued to be classified at amortised cost.

The assessment of the impact of adoption of IFRS 9 on the Company’s accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on management’s conclusion are disclosed in Note 7.

## 4 Summary of significant accounting policies

### Consolidated financial statements

The consolidated financial statements include the financial statements of The Cyprus Cement Public Company Limited (the «Company»), and its subsidiaries and associated, collectively referred to as the «Group».

# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Consolidated financial statements (continued)

#### (1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following;

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the fair value of any previous equity interest in the acquired entity at the acquisition date over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profit and losses resulting from inter-company transactions that are recognised in assets are also eliminated. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet.

# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Consolidated financial statements (continued)

#### (1) Subsidiaries (continued)

When the Group ceases to have control over an entity, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### (2) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### (3) Investments in associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment losses.

Dividends received or receivable from associate are recognised as a reduction in carrying amount of the investment.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary, to ensure consistency with the accounting policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

After application of the equity method, including recognising the associates' losses, the carrying amount of the investment in associate which includes the goodwill arising on acquisition is tested for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication of impairment and recognizes the amount adjacent to 'share of profit/(loss)' of associates in the profit or loss.

# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Consolidated financial statements (continued)

#### (3) Investments in associates (continued)

The Group ceases to equity account from the date that it loses significant influence over the associate or from the date the investment is classified as held for sale.

When the group ceases to exercise significant influence over an associate, any retained interest in the entity is remeasured to its fair value. In addition, the Group recognizes in profit or loss any difference between (i) the fair value of the retained interest and any income from the sale of the share in the associate and (ii) the carrying amount of the investment on the date that the Group lost significant influence over the associate.

When an entity ceases to be recognised as an associate and it is afterwards recognised as a financial asset in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the fair value of the retained interest in the associate is considered to be the fair value of the financial asset on initial recognition.

Any gain or loss previously recognised in the statement of comprehensive income, in respect of the investment in the associate, is transferred to the profit or loss on the date the Group loses significant influence over the associate.

### Separate financial statements of the Company

#### (1) Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are measured at cost less impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

#### (2) Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are measured at cost less impairment. Investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors of the Group (the chief operating decision-maker). The Board of Directors, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

### Revenue recognition

#### (i) Interest income

Interest income on financial assets at amortized cost is calculated using the original effective interest method, and is recognized in the consolidated Income statement and company's income statement as "revenue". Interest income is calculated by applying the original effective interest rate to the gross carrying amount of a financial asset, with the exception of the financial assets that subsequently become impaired. For credit-impaired financial assets (Stage 3), the original effective interest rate is applied to the net carrying amount of the financial asset (after deducting the impairment loss). For Stage 1 and Stage 2, the actual interest rate is applied to the gross amount of financial assets.

#### (ii) Dividend income

Dividend income is recognised as Revenue in the Company's results when the Company's right to receive payment is established.

### Foreign currency translation

#### (i) Functional and presentation currency

Items included in the Group's and Company's financial statements are measured using the currency of the primary economic environment in which the Group and Company operate ("the functional currency"). The financial statements are presented in Euro (€), which is the Group's and Company's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "finance costs". All other foreign exchange gains and losses are presented in profit or loss within "other (losses)/gains – net".

### Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Current and deferred income tax (continued)

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company/the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company/the Group where there is an intention to settle the balances on a net basis.

### Dividend distribution

Dividend distribution to the Group's/Company's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Group/Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Group's/Company's shareholders.

### Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less depreciation. Historical costs include costs directly related to the acquisition of property, plant and equipment.

Depreciation on other property, plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

|                         |                |
|-------------------------|----------------|
| Machinery and equipment | 10 to 20 years |
| Motor vehicles          | 5 to 8 years   |
| Furniture and fittings  | 3 to 20 years  |

# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group/Company and the cost of the asset can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in "other (losses)/gains – net" in profit or loss.

### Investment property

Investment property, principally comprising land, is held for capital appreciation and is not used by the Group/Company. Investment property is carried at fair value, representing open market value. Any gain or loss arising from a change in fair value is recognized in "other gains/(losses)-net" in the consolidated income statement.

Investment property is de-recognised from the balance sheet when it has been disposed and the gain / losses on disposal of investment property are calculated as the difference between the net disposal proceeds and the carrying amount and are recognised in profit or loss. When the sale consideration includes a contingent consideration then the contingent consideration is recognized when it is probable to be received. In such a case, the contingent consideration is recognized as a receivable in the balance sheet.

### Impairment of non-financial assets

Assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### Financial assets – Classification

From 1 January 2018, the Group/Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Financial assets – Classification (continued)

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's/Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group/Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Group/Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group/Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

### Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Group/Company commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group/Company has transferred substantially all the risks and rewards of ownership.

### Financial assets – Measurement

At initial recognition, the Group/Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.



# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Financial assets – Measurement (continued)

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's/Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group/Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'Income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, loans receivable and financial assets at amortised cost.

#### *Equity instruments*

The Company subsequently measures all equity investments at fair value.

Where the Group's/Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Group's/Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as "Income" when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### Financial assets – impairment – credit loss allowance for ECL

From 1 January 2018, the Group/Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group/Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the balance sheet net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the balance sheet.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Financial assets – impairment – credit loss allowance for ECL (continued)

For all other financial asset that are subject to impairment under IFRS 9, the Group/Company applies general approach – three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group/Company identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 6, Credit risk section for a description of how the Company determines when a SICR has occurred. If the Group/Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group’s/Company’s definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

### Financial assets – Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

### Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group/Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group/Company may write-off financial assets that are still subject to enforcement activity when the Group/Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group/Company or the counterparty.

### Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are presented in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be used for specific purposes, which do not include the distribution of dividends, and is subject to the provisions of the Cyprus Companies Law regarding share capital reduction.

# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Profit per share

Basic earnings per share are calculated as follows; The profits attributable to the Company's shareholders are divided by the weighted average number of ordinary shares issued during the year.

### Provisions

Provisions are recognised when the Group and the Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### Financial liabilities

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for financial guarantee contracts.

### Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group/Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee in other income in profit or loss.

At the end of each reporting period, the guarantee is subsequently at the higher of:

- the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

# The Cyprus Cement Public Company Limited

## 4 Summary of significant accounting policies (continued)

### Cash and cash equivalents

In the statement of cash flows of the Group/Company, cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

### Comparatives

Comparative figures have been adjusted to conform with changes in the presentation for the current year. Details are disclosed in Note 3.

## 5 New accounting pronouncements

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company/Group, except the following set out below:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)\*. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
- Amendments to IAS 1 and IAS 8: Definition of materiality (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)\*. The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company and the Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known.

\* Denotes amendments which have not yet been endorsed by the European Union.

## 6 Financial risk management

### (i) Financial risk factors

The Group's/Company's operations expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk.

The Company's and the Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's and the Group's financial performance. Risk management is carried out by the Board of Directors.

# The Cyprus Cement Public Company Limited

## 6 Financial risk management (continued)

### (i) Financial risk factors (continued)

#### Market risk

##### **Cash flow and fair value interest rate risk**

The Company's interest rate risk arises from interest-bearing assets. Interest-bearing assets represent loans receivable from related parties and cash and cash equivalents. Interest bearing assets issued at fixed rates expose the Group and the Company to fair value interest rate risk.

The exposure of the Group/Company into fair value interest rate risk is not significant since loans receivable bear fixed interest and are repayable on demand.

#### Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and deposits with banks and financial institutions.

- **Risk management**

Credit risk is managed by the Group and the Company on a group basis.

For banks and financial institutions, only independently rated parties are accepted.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

- **Impairment of financial assets**

The Group/Company has the following types of financial assets that are subject to the expected credit loss model:

- Financial assets at amortised cost (loans to related parties, receivables from related parties and other receivables)
- Cash and cash equivalents.

#### ***Debt investments – Financial assets at amortised cost***

For the loans to related parties and other receivables the Company and the Group applies the general expected credit loss model.

The Group/Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group/Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

# The Cyprus Cement Public Company Limited

## 6 Financial risk management (continued)

### (i) Financial risk factors (continued)

#### Credit risk (continued)

##### *Debt investments – Financial assets at amortised cost (continued)*

Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The Group/Company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the Group/Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

A summary of the assumptions underpinning the Group's/Company's expected credit loss model for the loans receivable from related parties is as follows:

| <b>Category</b>      | <b>Group/ Company definition of category</b>   | <b>Basis for recognition of expected credit loss provision</b>   | <b>Basis for calculation of interest revenue</b> |
|----------------------|--|--|--|
| Performing (Stage 1) | Counterparties have a low risk of default and a strong capacity to meet contractual cash flows | For loans to related parties that are repayable on demand, the expected credit losses are based on the assumption that the repayment of the loan will be demanded at the balance sheet date. | Gross carrying amount                            |

# The Cyprus Cement Public Company Limited

## 6 Financial risk management (continued)

### (i) Financial risk factors

#### Credit risk (continued)

##### *Debt investments – Financial assets at amortised cost (continued)*

Based on the above table the expected credit loss for the loans receivable from related parties on 1 January 2018 (on adoption of IFRS 9) and 31 December 2018 was not significant.

The Company/Group has no financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.

##### *Cash and cash equivalents*

The Group/Company assess on individual basis its exposure to the credit risk as a result of cash and cash equivalents based on external credit ratings.

The following tables contains an analysis of the credit risk exposure of cash and cash equivalents based on external credit rating by Moody's Investors Service which represents the Group's/Company's maximum exposure to credit risk on these assets as at 31 December 2018 and 1 January 2018.

#### **The Group and the Company**

| <b>External credit rating</b> | <b>Carrying amount<br/>(net of impairment<br/>provision)<br/>€000</b> |
|-------------------------------|---|
| <b>As at 31 December 2018</b> |   |
| Caa2                          | 2.009   |
| <b>On 1 January 2018</b>      |   |
| Caa3                          | 1.341   |

The Group/Company has no mortgage as a guarantee.

The cash and cash equivalents are subject to the impairment model of IFRS 9. In accordance with the general credit loss model, the expected credit loss on 1 January 2018 (on adoption of IFRS 9) and at 31 December 2018 was not significant. The cash and cash equivalents are classified as Stage 1 on 1 January 2018 and 31 December 2018.

# The Cyprus Cement Public Company Limited

## 6 Financial risk management (continued)

### (i) Financial risk factors

#### *Cash and cash equivalents (continued)*

- **Credit quality of financial assets at 31 December 2017**

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

|  | <u>The Group</u> | <u>The Company</u> |
|--|------------------|--------------------|
|  | 2017             | 2017               |
|  | €000             | €000               |
| <b>Loans receivable neither past due nor impaired</b>  |                  |                    |
| Group 1  | 8.663            | 8.663              |
|  | <u>8.663</u>     | <u>8.663</u>       |
| <b>Other receivables neither past due nor impaired</b> |                  |                    |
| Group 1  | 44               | 981                |
| Group 2  | 142              | -                  |
|  | <u>186</u>       | <u>981</u>         |
| <b>Cash and bank balances</b>                          |                  |                    |
| Caa3   | 1.341            | 1.341              |
|  | <u>1.341</u>     | <u>1.341</u>       |

Group 1 – companies within the group, parent entity, ultimate parent entity, common control companies and associates with no defaults in the past.

Group 2 – other receivables (more than 6 months).

None of the financial assets that are neither past due nor impaired did not have any renegotiations in their terms during the year.

None of the loans and receivables from related parties is past due or impaired.

#### ***Credit related commitments***

Guarantees which represent irrevocable assurances that the Group will make payments in the event that a counterparty cannot meet its obligations to third parties in accordance with the terms of the debt instrument.

The Group has issued financial guarantees for its ultimate parent entity, for the guarantee of the bank overdrafts and other bank facilities (Note 30 (vi)). As a result the Group is exposed into credit risk from the probability of default of the ultimate parent entity for its external borrowing. As at 31 December 2018 the ultimate parent entity had no defaults on its loan commitments.

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2018 is as follows. The following amount represents the gross exposure of the Group to the credit risk as at 31 December 2018 and on 1 January 2018 without taking into consideration any other guarantees. The Group has no mortgages as a guarantee for the guarantees that issued.



# The Cyprus Cement Public Company Limited

## 6 Financial risk management (continued)

### (i) Financial risk factors (continued)

#### *Credit related commitments (continued)*

|   | Stage 1<br>(12-months<br>ECL)<br>€ 000 |
|---|--|
| <b>Issued financial guarantees</b>        |  |
| - Performing (Note 30 (vi))               | 1.500                                  |
| <b>Provision for financial guarantees</b> | <u>-</u>                               |

The provision for financial guarantees on 1 January 2018 (on adoption of IFRS 9) and 31 December 2018 for the financial guarantees issued by the Group was not significant and as a result was not recognised in the financial statements.

#### **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Board of Directors maintains flexibility in funding by maintaining availability under committed credit lines.

The Board of Directors monitors rolling forecasts of the Company's and Group's liquidity reserve (comprises undrawn borrowing facility (Note 25) and cash and cash equivalents (Note 22) on the basis of expected cash flow.

The Company/Group has the following unused borrowing facilities:

|                         | <u>The Group</u>    |              | <u>The Company</u>  |              |
|-------------------------|---------------------|--------------|---------------------|--------------|
|                         | <b>2018</b><br>€000 | 2017<br>€000 | <b>2018</b><br>€000 | 2017<br>€000 |
| Floating charge         |                     |              |                     |              |
| Expires within one year | <b>1.595</b>        | 1.595        | <b>1.560</b>        | 1.560        |

Facilities that expire within one year are annual facilities that are subject to revision at different dates.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months (with the exception of borrowings) equal their carrying balances as the impact of discounting is not significant.

#### **The Group**

|                            | <b>Less than 1 year</b><br>€000 |
|----------------------------|---------------------------------|
| <b>At 31 December 2018</b> |                                 |
| Trade and other payables   | 153                             |
| Guarantees (Note 30 (vi))  | 1.500                           |
|                            | <u>1.653</u>                    |

# The Cyprus Cement Public Company Limited

## 6 Financial risk management (continued)

### (i) Financial risk factors (continued)

#### Liquidity risk (continued)

| <b>At 31 December 2017</b> |             |
|----------------------------|-------------|
| Trade and other payables   | 54          |
| Guarantees (Note 30 (vi))  | 1.500       |
|                            | <hr/>       |
|                            | 1.554       |
|                            | <hr/> <hr/> |

#### **The Company**

|                            | <b>Less than 1 year<br/>€000</b> |
|----------------------------|----------------------------------|
| <b>At 31 December 2018</b> |                                  |
| Trade and other payables   | 139                              |
|                            | <hr/>                            |
|                            | 139                              |
|                            | <hr/> <hr/>                      |
| <b>At 31 December 2017</b> |                                  |
| Trade and other payables   | 35                               |
|                            | <hr/>                            |
|                            | 35                               |
|                            | <hr/> <hr/>                      |

The liquidity risk arising from corporate guarantees for related parties is disclosed in Note 30 (vi) and in the event of default, the minimum period which they can be called for repayment is within one year.

### (ii) Capital risk management

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

The Group/Company considers equity as presented in the consolidated balance sheet and the Company's balance sheet as equity.

### (iii) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

# The Cyprus Cement Public Company Limited

## 6 Financial risk management (continued)

### (iii) Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2018.

|  | Level 3<br>€000 | Total<br>€000 |
|--|-----------------|---------------|
| <b>At 31 December 2018</b>                                       |                 |               |
| <b>Assets</b>  |                 |               |
| Investment held at fair value through other comprehensive income |                 |               |
| - Equity securities  | 20.703          | 20.703        |
| <b>Total financial assets measured at fair value</b>             | <u>20.703</u>   | <u>20.703</u> |

The following table presents the Group's financial assets that are measured at fair value at 31 December 2017.

|  | Level 3<br>€000 | Total<br>€000 |
|--|-----------------|---------------|
| <b>At 31 December 2017</b>                           |                 |               |
| <b>Assets</b>  |                 |               |
| Available-for-sale financial assets:                 |                 |               |
| - Equity securities                                  | 20.703          | 20.703        |
| <b>Total financial assets measured at fair value</b> | <u>20.703</u>   | <u>20.703</u> |

The following table presents the changes in Level 3 investments for the year ended 31 December 2017 and 31 December 2018:

|                           | Equity<br>Securities<br>2018<br>€000 | Equity<br>Securities<br>2017<br>€000 |
|---------------------------|--------------------------------------|--------------------------------------|
| Opening balance 1 January | 20.703                               | 20.703                               |
| <b>At 31 December</b>     | <u>20.703</u>                        | <u>20.703</u>                        |

## 7 Critical accounting estimates and judgements

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

### Critical accounting estimates and assumptions

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

# The Cyprus Cement Public Company Limited

## 7 Critical accounting estimates and judgements (continued)

### Critical accounting estimates and assumptions (continued)

- **Taxation**

Significant judgments and estimates are required in determining the corporate tax provision. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company/Group recognizes liabilities for anticipated tax audit issues based on estimates and calculations as to whether additional tax will arise. Where the final tax outcome of these matters differs from the amounts that were initially recognized, such differences will affect the current and deferred tax assets and liabilities in the period in which such determination is made.

- **Fair value of investment property of €237.271 thousand (2017: €237.271 thousand)**

The fair value of the investment property is based on observable comparable information of the market, including expected selling prices. Where observable comparable information are not available, the fair values are determined through significant judgements by the Company's management who have the relevant expertise, knowledge and recent experience that are necessary in the valuation of the investment property.

At 31 December 2018 and 31 December 2017, the fair value estimates of the investment property of the Management were based on valuation techniques which incorporate observable comparable selling prices, where these are available, adjusted to reflect the uniqueness, nature and the size of the properties, and their urban planning characteristics. For further information refer to Note 17.

For the purposes of the comparative method performed by the Company's management for the valuation of land, the land has been divided into three notional zones, considering the non-uniformity of the land the geographical advantages of each zone. Due to the high degree of subjectivity in the division of the land into the notional zones, the Company's management presents a sensitivity analysis in Note 17, to show the impact on the fair value of the investment property due to the change on the allocation of the total surface of the land to the different zones.

The main assumptions used for the valuation of the investment property are disclosed in Note 17.

As a result, the Company's management considers that the valuation of the investment is subject to a significant degree of subjectivity and an increased likelihood that the value of the investment property to be different.

Any changes in the assumptions used will result in a significant change in the fair value of the investment property (Note 17).

# The Cyprus Cement Public Company Limited

## 7 Critical accounting estimates and judgements (continued)

### Critical accounting estimates and assumptions (continued)

- **Fair value of financial asset held at fair value through other comprehensive income (2017: Available-for-sale financial assets)**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Management uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

At 31 December 2018 and 31 December 2017, the fair value of the investment was estimated by the Group's Management based on the discounted cash flow for the valuation of the residential apartments building and the EBITDA multiple method for valuation of the hotel complex. The fair value was adjusted taking into consideration the fair value of the borrowings of the investment and the capital expenditures required for the completion of the renovation of the hotel.

The Company's management assessed the different techniques and selected the fair value method which was based on the operational profit (EBITDA multiple), as the most appropriate taking into account the characteristics and particularities of the investment, the available information and the maximization of the observable data used in the estimation.

In estimating future cash flows and operating profitability, the Group should make assumptions about future cash flows and expected operating profitability. These assumptions are based on historical trends as well as on future expectations. Although the Management believes that the assumptions used to calculate the fair value of the investment are reasonable and appropriate, these assumptions may be largely subjective. The principal assumptions used to estimate the fair value of financial assets and the sensitivity analysis of these key assumptions are disclosed in Note 20 of the financial statements.

- **Fair value of call option**

Following the agreement signed on 30 September 2014 between the Group and the 75% owner of Parklane Hotels Limited, the Group has a ("call option") to compel Parklane Hotels Limited to issue solely and exclusively to the Group shares at fair value which together with the existing shareholding (24,98%) will constitute 50% of the issued shares of Parklane Hotels Limited. The right can be exercised between 30 September 2017 to 30 September 2020. In the event of exercise of the right, the shares to be issued will be at fair value which will be determined by an independent party. The above call option has not been recognized in the Group's financial statements as the Board of Directors considers that the call option does not have significant value.

## 8 Segment information

As per management approach in relation to IFRS 8, the operating segments are presented in accordance with the internal reporting provided to the Board of Directors (the chief operating decision-maker), which is responsible for allocating resources and assessing performance of the operating segment. All operating segments used by the Group meet the definition of a reportable segment as per IFRS 8. The basic operating segments of the Group for which segment information is presented are as follows:

- (1) Investment property
- (2) Hotel and tourism
- (3) Cement - strategic investment in Vassiliko Cement Work Public Company Limited

# The Cyprus Cement Public Company Limited

## 8 Segment information (continued)

The Board of Directors of the Group assesses the performance of the operating segments based on a measure of earnings before interest, taxes, depreciation and amortisation (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not allocated to segments. Other information presented, is accounted as per the financial statements.

The segment information provided to the management of the Group for the reportable segments is as follows:

### For the year ended 31 December 2018

|   | Hotel and<br>Tourism<br>€000 | Investment<br>property<br>€000 | Cement<br>€000 | Other<br>€000 | Reconciliation<br>adjustments<br>€000 | Total<br>€000  |
|---|------------------------------|--------------------------------|----------------|---------------|---------------------------------------|----------------|
| Revenue   | -                            | -                              | 97.926         | 286           | (97.926)                              | 286            |
| (Loss)/Profit before interest, taxes and depreciation | (37)                         | (589)                          | 32.936         | 155           | (32.936)                              | (471)          |
| <b>Total segment assets</b>                           | <b>20.703</b>                | <b>238.108</b>                 | <b>286.316</b> | <b>12.134</b> | <b>(229.782)</b>                      | <b>327.479</b> |
| Total assets includes:                                |                              |                                |                |               |                                       |                |
| Investments in associates                             | -                            | -                              | -              | 73            | 56.461                                | 56.534         |
| Additions to non-current assets                       | -                            | -                              | 5.897          | -             | (5.897)                               | -              |
| <b>Total segment liabilities</b>                      | <b>16</b>                    | <b>1.621</b>                   | <b>52.967</b>  | <b>44.029</b> | <b>(52.967)</b>                       | <b>45.666</b>  |

### For the year ended 31 December 2017

|  | Hotel and<br>Tourism<br>€000 | Investment<br>property<br>€000 | Cement<br>€000 | Other<br>€000 | Reconciliation<br>adjustments<br>€000 | Total<br>€000  |
|--|------------------------------|--------------------------------|----------------|---------------|---------------------------------------|----------------|
| Revenue                                      | -                            | -                              | 102.467        | 393           | (102.467)                             | 393            |
| Loss before interest, taxes and depreciation | (46)                         | (714)                          | 36.034         | 189           | (36.034)                              | (571)          |
| <b>Total segment assets</b>                  | <b>20.703</b>                | <b>238.108</b>                 | <b>296.943</b> | <b>10.628</b> | <b>(239.058)</b>                      | <b>327.324</b> |
| Total assets includes:                       |                              |                                |                |               |                                       |                |
| Investments in associates                    | -                            | -                              | -              | 12            | 57.873                                | 57.885         |
| Additions to non-current assets              | -                            | 86                             | 16.401         | -             | (16.401)                              | 86             |
| <b>Total segment liabilities</b>             | <b>20</b>                    | <b>1.623</b>                   | <b>57.964</b>  | <b>43.924</b> | <b>(57.964)</b>                       | <b>45.567</b>  |

# The Cyprus Cement Public Company Limited

## 8 Segment information (continued)

### Reconciliation of segment results

A reconciliation of loss before interest, taxes and depreciation to loss before tax is as follows:

|  | 2018<br>€000        | 2017<br>€000          |
|--|---------------------|-----------------------|
| Loss before interest, taxes and depreciation                                   | (471)               | (571)                 |
| Depreciation   | (9)                 | (9)                   |
| Net losses on investment property (Note 9)                                     | -                   | (6.336)               |
| Operating loss   | <u>(480)</u>        | <u>(6.917)</u>        |
| Finance costs (Note 12)  | -                   | (335)                 |
| Share of profit of investments accounted for using the equity method (Note 18) | 4.050               | 4.960                 |
| Profit/(Loss) before tax   | <u><u>3.570</u></u> | <u><u>(2.292)</u></u> |

### Reconciliation of segment assets and liabilities

Reportable segments' assets are reconciled to total assets as follows:

|   | 2018<br>€000          | 2017<br>€000          |
|---|-----------------------|-----------------------|
| Assets for reportable segments                        | 327.479               | 327.324               |
| <b>Total assets as per consolidated balance sheet</b> | <u><u>327.479</u></u> | <u><u>327.324</u></u> |

Reportable segments' liabilities are reconciled to total liabilities as follows:

|  | 2018<br>€000         | 2017<br>€000         |
|--|----------------------|----------------------|
| Liabilities for reportable segments                        | 45.666               | 45.567               |
| <b>Total liabilities as per consolidated balance sheet</b> | <u><u>45.666</u></u> | <u><u>45.567</u></u> |

## 9 Other losses

|   | The Group    |                | The Company  |                |
|---|--------------|----------------|--------------|----------------|
|   | 2018<br>€000 | 2017<br>€000   | 2018<br>€000 | 2017<br>€000   |
| Investment property:<br>Net losses (Note 17)                | -            | (6.336)        | -            | -              |
| Investments in subsidiaries:<br>Impairment charge (Note 19) | -            | -              | -            | (6.898)        |
|   | <u>-</u>     | <u>(6.336)</u> | <u>-</u>     | <u>(6.898)</u> |

# The Cyprus Cement Public Company Limited

## 10 Revenue

|   | The Group    |              | The Company  |              |
|---|--------------|--------------|--------------|--------------|
|   | 2017<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Interest income:                        |              |              |              |              |
| Loans to related parties (Note 30 (ii)) | 286          | 393          | 286          | 352          |
| Dividend income (Note 18)               | -            | -            | 4.641        | 4.004        |
|   | <u>286</u>   | <u>393</u>   | <u>4.927</u> | <u>4.356</u> |

## 11 Analysis of expenses

### The Group

|   | 2018<br>€000 | 2017<br>€000 |
|---|--------------|--------------|
| Director's and Audit Committee's Remuneration (Note 30 (iii)) | 9            | 6            |
| Auditors remuneration   | 34           | 34           |
| Legal and other costs   | 6            | 26           |
| Electricity and fuel costs                                    | 4            | 4            |
| Depreciation (Note 16)  | 9            | 9            |
| Rents   | 10           | 9            |
| Insurance   | 7            | 7            |
| Management and administrative costs                           | 623          | 788          |
| Other expenses  | 65           | 91           |
|   | <u>767</u>   | <u>974</u>   |

### The Company

|   | 2018<br>€000 | 2017<br>€000 |
|---|--------------|--------------|
| Director's and Audit Committee's Remuneration (Note 30 (iii)) | 6            | 6            |
| Auditors remuneration   | 29           | 29           |
| Legal and other costs   | 6            | 9            |
| Electricity and fuel costs                                    | 4            | 4            |
| Depreciation (Note 16)  | 9            | 9            |
| Insurance   | 7            | 7            |
| Management and administrative costs                           | 51           | 84           |
| Other expenses  | 29           | 66           |
|   | <u>141</u>   | <u>214</u>   |

The total fees charged by the statutory audit firm for the statutory audit of the annual financial statements of the Group for the year ended 31 December 2018 amounted to €34 thousand/€29 thousand (2017: €34 thousand/€29 thousand) . The total fees charged by the statutory audit firm of the Group for the year ended 31 December 2018 for non-audit services amounted to €0 thousand (2017: €12 thousand).

## 12 Finance costs

|  | The Group    |              | The Company  |              |
|--|--------------|--------------|--------------|--------------|
|  | 2018<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Interest expense:  |              |              |              |              |
| Bank borrowings and overdraft                            | -            | 314          | -            | 218          |
| Interest on balances with related parties (Note 30 (ii)) | -            | 21           | -            | 21           |
|  | <u>-</u>     | <u>335</u>   | <u>-</u>     | <u>239</u>   |



# The Cyprus Cement Public Company Limited

## 13 Taxation

|                                   | The Group    |                | The Company  |                |
|-----------------------------------|--------------|----------------|--------------|----------------|
|                                   | 2018<br>€000 | 2017<br>€000   | 2018<br>€000 | 2017<br>€000   |
| <b>Deferred tax (Note 26)</b>     |              |                |              |                |
| Creation of temporary differences | -            | 757            | -            | -              |
| Reversal of temporary differences | -            | (7.381)        | -            | (9.669)        |
| <b>Tax credit</b>                 | <u>-</u>     | <u>(6.624)</u> | <u>-</u>     | <u>(9.669)</u> |

The reversal of deferred tax represents the deferred tax recognized in profit or loss in previous years, and related to the property sold to Bank of Cyprus Public Company Ltd. The sale of the property fell within the framework of the Tax Department regulations and provisions for tax relief for bank loan restructuring, and therefore no tax was paid.

The amount of €757 thousand recognized for deferred tax in 2017 resulted from the temporary differences between the tax base of investment property valued at fair value and their accounting value in the consolidated financial statements.

The tax on the Group's and Company's profit/(loss) before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

|  | The Group    |                | The Company  |                |
|--|--------------|----------------|--------------|----------------|
|  | 2018<br>€000 | 2017<br>€000   | 2018<br>€000 | 2017<br>€000   |
| Profit/(Loss) before tax   | <u>3.570</u> | <u>(2.292)</u> | <u>4.786</u> | <u>(2.995)</u> |
| Tax calculated at the applicable corporation tax rate of 12,5%                       | 446          | (286)          | 598          | (374)          |
| Tax effect of expenses not deductible for tax purposes                               | 13           | 2.584          | 8            | 878            |
| Tax effect of allowances and income not subject to tax                               | -            | (7.982)        | (580)        | (10.169)       |
| Tax effect of share of profit from investments accounted for using the equity method | (506)        | (620)          | -            | -              |
| Tax effect of using tax losses brought forward                                       | (26)         | -              | (26)         | -              |
| Tax effect of losses for which no deferred tax asset has been recognised             | 73           | (320)          | -            | (4)            |
| <b>Tax (credit)/charge</b>   | <u>-</u>     | <u>(6.624)</u> | <u>-</u>     | <u>(9.669)</u> |

The Company and the Group are subject to income tax on taxable profits at the rate of 12,5%.

As from tax year 2012 brought forward losses of only five years may be utilised. From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

# The Cyprus Cement Public Company Limited

## 13 Taxation (continued)

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

In accordance with the Income Tax Law, the Company and its subsidiaries, over which the Company controls directly or indirectly of the 75% of their issued share capital, are considered to be a “group” for tax purposes. A company of the “group” may transfer losses and offset them against profits elsewhere in the group.

The tax (charge)/credit relating to components of other comprehensive income is as follows:

### Tax effects of components of other comprehensive income

#### The Group

|                               | Year ended 31 December |                                    |                   |                    |                                    |                   |
|-------------------------------|------------------------|------------------------------------|-------------------|--------------------|------------------------------------|-------------------|
|                               | 2018                   |                                    |                   | 2017               |                                    |                   |
|                               | Before tax<br>€000     | Tax<br>(charge)/<br>credit<br>€000 | After tax<br>€000 | Before tax<br>€000 | Tax<br>(charge)/<br>credit<br>€000 | After tax<br>€000 |
| <b>Associated companies:</b>  |                        |                                    |                   |                    |                                    |                   |
| Changes in equity             | (761)                  | -                                  | (761)             | 230                | -                                  | 230               |
| Reverse of deferred tax       | -                      | -                                  | -                 | 2.288              | -                                  | 2.288             |
|                               | <u>          </u>      | <u>          </u>                  | <u>          </u> | <u>          </u>  | <u>          </u>                  | <u>          </u> |
| Other comprehensive<br>Income | (761)                  | -                                  | (761)             | 2.518              | -                                  | 2.518             |
|                               | <u>          </u>      | <u>          </u>                  | <u>          </u> | <u>          </u>  | <u>          </u>                  | <u>          </u> |

## 14 Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

#### Basic and fully diluted

|   | 31 December<br>2018 | 31 December<br>2017 |
|---|---------------------|---------------------|
| Profit attributable to equity holders of the Company - €000 | <u>3.582</u>        | <u>4.348</u>        |
| Weighted average number of ordinary shares in issue         | <u>137.610.883</u>  | <u>137.610.883</u>  |
| Profit per share - basic and fully diluted (cent per share) | <u>2,60</u>         | <u>3,16</u>         |

## 15 Dividend per share

On 30<sup>th</sup> of June 2017, the Annual General Meeting approved the payment of a dividend of €0,016 per share, amounted to €2.202 thousand out of the profits of 2016 and prior years.

On 29<sup>th</sup> June 2018, the Annual General Meeting approved the payment of a dividend of €0,02 per share, amounted to €2.752 thousand out of the profits of 2017. The dividend was paid to the shareholders on 27 July 2018.

# The Cyprus Cement Public Company Limited

## 16 Property, plant and equipment

### The Group

|  | Machinery<br>and<br>equipment<br>€000 | Motor<br>Vehicles<br>€000 | Furniture<br>and<br>fittings<br>€000 | Total<br>€000 |
|--|---------------------------------------|---------------------------|--------------------------------------|---------------|
| <b>Year ended 31 December 2017</b>     |                                       |                           |                                      |               |
| Opening net book amount                | 5                                     | 37                        | 9                                    | 51            |
| Write off                              | (5)                                   | -                         | (9)                                  | (14)          |
| Depreciation charge (Note 11)          | -                                     | (9)                       | -                                    | (9)           |
|  | <hr/>                                 | <hr/>                     | <hr/>                                | <hr/>         |
| Net book amount at the end of the year | -                                     | 28                        | -                                    | 28            |
|  | <hr/> <hr/>                           | <hr/> <hr/>               | <hr/> <hr/>                          | <hr/> <hr/>   |
| <b>At 31 December 2017</b>             |                                       |                           |                                      |               |
| Cost                                   | -                                     | 46                        | -                                    | 46            |
| Accumulated depreciation               | -                                     | (18)                      | -                                    | (18)          |
|  | <hr/>                                 | <hr/>                     | <hr/>                                | <hr/>         |
| Net book amount                        | -                                     | 28                        | -                                    | 28            |
|  | <hr/> <hr/>                           | <hr/> <hr/>               | <hr/> <hr/>                          | <hr/> <hr/>   |
| <b>Year ended 31 December 2018</b>     |                                       |                           |                                      |               |
| Opening net book amount                | -                                     | 28                        | -                                    | 28            |
| Depreciation charge (Note 11)          | -                                     | (9)                       | -                                    | (9)           |
|  | <hr/>                                 | <hr/>                     | <hr/>                                | <hr/>         |
| Net book amount at the end of the year | -                                     | 19                        | -                                    | 19            |
|  | <hr/> <hr/>                           | <hr/> <hr/>               | <hr/> <hr/>                          | <hr/> <hr/>   |
| <b>At 31 December 2018</b>             |                                       |                           |                                      |               |
| Cost                                   | -                                     | 46                        | -                                    | 46            |
| Accumulated depreciation               | -                                     | (27)                      | -                                    | (27)          |
|  | <hr/>                                 | <hr/>                     | <hr/>                                | <hr/>         |
| Net book amount                        | -                                     | 19                        | -                                    | 19            |
|  | <hr/> <hr/>                           | <hr/> <hr/>               | <hr/> <hr/>                          | <hr/> <hr/>   |

- Depreciation charge of €9 thousand (2017: €9 thousand) was charged to “administrative expenses “in profit or loss.

# The Cyprus Cement Public Company Limited

## 16 Property, plant and equipment (continued)

### The Company

|  | Motor<br>vehicles<br>€000 | Furniture<br>and<br>fittings<br>€000 | Total<br>€000 |
|--|---------------------------|--------------------------------------|---------------|
| <b>At 1 January 2017</b>               |                           |                                      |               |
| Cost                                   | 46                        | -                                    | 46            |
| Accumulated depreciation (Note 11)     | (9)                       | -                                    | (9)           |
| Net book value                         | <u>37</u>                 | <u>-</u>                             | <u>37</u>     |
| <b>Year ended 31 December 2017</b>     |                           |                                      |               |
| Opening net book amount                | 37                        | -                                    | 37            |
| Depreciation charge                    | (9)                       | -                                    | (9)           |
| Net book amount at the end of the year | <u>28</u>                 | <u>-</u>                             | <u>28</u>     |
| <b>At 31 December 2017</b>             |                           |                                      |               |
| Cost                                   | 46                        | -                                    | 46            |
| Accumulated depreciation               | (18)                      | -                                    | (18)          |
| Net book amount                        | <u>28</u>                 | <u>-</u>                             | <u>28</u>     |
| <b>Year ended 31 December 2018</b>     |                           |                                      |               |
| Opening net book amount                | 28                        | -                                    | 28            |
| Depreciation charge (Note 11)          | (9)                       | -                                    | (9)           |
| Net book amount at the end of the year | <u>19</u>                 | <u>-</u>                             | <u>19</u>     |
| <b>At 31 December 2018</b>             |                           |                                      |               |
| Cost                                   | 46                        | -                                    | 46            |
| Accumulated depreciation               | (27)                      | -                                    | (27)          |
| Net book amount                        | <u>19</u>                 | <u>-</u>                             | <u>19</u>     |

Depreciation charge of €9 thousand (2017: €9 thousand) was charged to administrative expenses.

## 17 Investment property

### The Group

|  | <u>Land for development in Cyprus</u> |                |
|--|---------------------------------------|----------------|
|  | <b>2018</b>                           | 2017           |
|  | <b>€000</b>                           | €000           |
| Fair value hierarchy                         | <b>3</b>                              | 3              |
| <b>Fair Value at 1 January</b>               | <b>238.108</b>                        | 274.808        |
| Additions                                    | -                                     | 86             |
| Disposal of property                         | -                                     | (30.750)       |
| Provision for construction of road (Note 28) | -                                     | 300            |
| Net losses (Note 9)                          | -                                     | (6.336)        |
| <b>Fair value at 31 December</b>             | <b><u>238.108</u></b>                 | <u>238.108</u> |

# The Cyprus Cement Public Company Limited

## 17 Investment property (continued)

### The Company

|                                     | Land in Cyprus |      |
|-------------------------------------|----------------|------|
|                                     | 2018           | 2017 |
|                                     | €000           | €000 |
| Fair Value at 1 January/31 December | 837            | 837  |

During the year 2017, the subsidiary C.C.C. Real Estate Company Ltd sold part of its investment property to Nelipo Properties Ltd (100% subsidiary of the Bank Cyprus Public Company Ltd) as part of the restructuring of the Group's and other related companies credit facilities.

The sale price of the property amounted to €30.750 thousand, based on the fair value reduced by 30%, and the sale/transaction fell within the framework of the regulations and provisions of the Tax Department for tax relief for bank loan restructuring.

The Company's/Group's investment property is measured at fair value. Changes at fair values are presented in profit or loss. The Company/Group holds only one class of investment property, being land for development in Cyprus.

At 31 December 2018, loans of related parties were secured with Group's investment property (Note 30 (vi)).

#### (i) Valuation method and key assumptions

The investment property is valued by the Company's management who has the relevant expertise, knowledge and recent experience in the valuation of the investment property.

The valuation at fair value of the Company's management for the investment property at 31 December 2017 was based on the comparative method taking into consideration the selling price of the transaction made on 9 March 2017 for part of the property, as part of the restructuring of the credit facilities of the Group and other related companies, as adjusted based on the discount and the division of the property into notional zones to represent the fair value of the whole investment property, which was then increased by 3% to reflect the improved market condition at 31 December 2017 compared to the transaction date. The Company's management considers that the comparative method is the most suitable for the valuation of the property considering the characteristics and uniqueness of the investment property.

The fair value measurement of the investment property at 31 December 2018 has not significantly changed from the fair value as estimated by Management at 31 December 2017.

For the purpose of the comparative method performed by Group's management for the valuation of the property, the land has been divided into three notional zones considering the physical characteristics of each zone. As a result, the comparative method is based on observable prices for Zone A and adjustments were made for the valuation of the remaining zones using the zoning method.

# The Cyprus Cement Public Company Limited

## 17 Investment property (continued)

### (i) Valuation method and key assumptions (continued)

The area of each notional zone and the price per square meter has been determined by the Company's management as follows;

**At 31 December 2018 and 31 December 2017, fair value of investment of €237.271 thousand as follows:**

| Notional Zone | Area (square meters '000/<br>%) | Price per square meter (€)  |
|---------------|---------------------------------|-----------------------------|
| Zone A        | 175 / 17%                       | 494                         |
| Zone B        | 82 / 8%                         | 247 (1/2 of Zone A's price) |
| Zone C        | 799 / 75%                       | 165 (1/3 of Zone A's price) |

The valuation of the Group's investment property has been classified as level 3 valuation since the valuation techniques used incorporate unobservable inputs.

### (ii) Valuation of Investment Property at fair value using significant non-observable inputs Data (Level 3) and sensitivity analysis

The table below shows the possible impact of the fair value of the investment property in the Group's/Company's total income due to a change in the non-observable inputs (Level 3).

#### Information about valuation of investment property at fair value using non-observable inputs (Level 3) – 31 December 2018 and 31 December 2017

| Property                       | Valuation (€000) | Valuation method   | Non-observable inputs                   | Change in input   | Deviation/Sensitivity      |
|--------------------------------|------------------|--------------------|---|-------------------|----------------------------|
| Land for development in Cyprus | 237.271          | Comparative method | Allocation of area into zones ('000/ %) | Zone A – 106/ 10% | €20.946 thousands decrease |
|                                |                  |                    |   | Zone B – 106/ 10% |                            |
|                                |                  |                    |   | Zone C – 844/ 80% |                            |
| Land for development in Cyprus | 237.271          | Comparative method | Price per square meter (€)              | Zone A – 106/ 10% | €25.287 thousands decrease |
|                                |                  |                    |   | Zone B – 53/ 5%   |                            |
|                                |                  |                    |   | Zone C – 897/ 85% |                            |
| Land for development in Cyprus | 237.271          | Comparative method | Price per square meter (€)              | Zone A – 519      | €12.061 thousands increase |
|                                |                  |                    |   | Zone B – 259      |                            |
|                                |                  |                    |   | Zone C – 173      |                            |
| Land for development in Cyprus | 237.271          | Comparative method | Price per square meter (€)              | Zone A – 469      | €11.754 thousands decrease |
|                                |                  |                    |   | Zone B – 235      |                            |
|                                |                  |                    |   | Zone C – 156      |                            |

# The Cyprus Cement Public Company Limited

## 18 Investments accounted for using the equity method

|  | The Group     |               | The Company   |               |
|--|---------------|---------------|---------------|---------------|
|  | 2018<br>€000  | 2017<br>€000  | 2018<br>€000  | 2017<br>€000  |
| At beginning of year   | 57.885        | 56.692        | 52.608        | 52.597        |
| Transfer from investment in subsidiary <sup>(1)</sup><br>(Note 19) | -             | 7             | -             | 10            |
| Share of profit after tax  | 4.051         | 4.960         | -             | -             |
| Share of changes in equity   | (761)         | (230)         | -             | -             |
| Dividends (Note 10)  | (4.641)       | (4.004)       | -             | -             |
| At end of year   | <u>56.534</u> | <u>57.885</u> | <u>52.608</u> | <u>52.608</u> |

- (1) On 3 January 2017, its subsidiary Company, C.C.C. Tourist Enterprises Public Company Limited, sold the shares held in C.C.C. Secretarial Ltd to its parent company, The Cyprus Cement Public Company Ltd, and to the related company, K + G Complex Public Company Limited. As a result, the percentage hold in C.C.C. Secretarial Ltd was reduced to 50% and transferred from investment in subsidiaries to investments accounted for using the equity method.

### The Group

Set out below are presented the associate companies of the group as at 31 December 2018 and 31 December 2017. The associate companies listed below have a share capital consisting exclusively of ordinary shares, held directly by the Group. The country of incorporation or registration is the place of business.

|   | Country | Principal activities                    | %<br>interest<br>held | Measurement<br>Method |
|---|---------|---|-----------------------|-----------------------|
| <b>2018</b>                                   |         |   |                       |                       |
| Vassiliko Cement Works Public Company Limited | Cyprus  | Production and sale of cement           | 25,3%                 | Equity Method         |
| C.C.C. Secretarial Ltd                        | Cyprus  | Secretarial and administration services | 50,0%                 | Equity Method         |
| <b>2017</b>                                   |         |   |                       |                       |
| Vassiliko Cement Works Public Company Limited | Cyprus  | Production and sale of cement           | 25,3%                 | Equity Method         |
| C.C.C. Secretarial Ltd                        | Cyprus  | Secretarial and administration services | 50,0%                 | Equity Method         |

The associate company Vassiliko Cement Works Public Company Limited is listed on the Cyprus Stock Exchange. On 31 December 2018, and the fair value of the investment in associate based on the market price was €48.775 thousand (2017: €52.597 thousand). The market price listed on the stock exchange is not representative since these shares are not traded in an active market.

### Important restrictions

There are no significant restrictions as a result of borrowing, regulatory or contractual arrangements between investors with significant influence on affiliated companies in relation to the ability of affiliated companies to transfer money to the Group in the form of cash dividends or to repay loans or advances made from the Group.

# The Cyprus Cement Public Company Limited

## 18 Investments accounted for using the equity method (continued)

### Contingent Liabilities and Commitments

#### (a) Operating lease commitments – where the investment in associate undertakings are lessees

Non-cancellable lease payments are as follows:

|                      | <b>Vassiliko Cement Works<br/>Public Company Limited</b> |             |
|----------------------|--|-------------|
|                      | <b>2018</b>  | <b>2017</b> |
|                      | <b>€000</b>  | <b>€000</b> |
| Within 1 year        | 21   | 86          |
| Between 2 to 5 years | 35   | 44          |
| Later than 5 years   | 65   | 57          |
|                      | <u>121</u>   | <u>187</u>  |

#### (b) Operating lease commitments – where the investment in associate undertakings are lessors

Minimum non-cancellable lease payments are as follows:

|                      | <b>Vassiliko Cement Works<br/>Public Company Limited</b> |             |
|----------------------|--|-------------|
|                      | <b>2018</b>  | <b>2017</b> |
|                      | <b>€000</b>  | <b>€000</b> |
| Within 1 year        | 90   | 77          |
| Between 2 to 5 years | 122  | 167         |
|                      | <u>212</u>   | <u>244</u>  |

#### (c) Capital Commitments

On 31 December 2017 and 2018, there were no capital commitments in respect of the associated company Vassiliko Cement Works Public Company Limited.

Set out below are the summarised financial information of the associated companies:

#### Summarised balance sheet

|                         | <b>Vassiliko Cement Works<br/>Public Company Limited</b> |                |
|-------------------------|--|----------------|
|                         | <b>2018</b>  | <b>2017</b>    |
|                         | <b>€000</b>  | <b>€000</b>    |
| Current assets          | 31.866   | 30.446         |
| Non-current assets      | 254.450  | 266.497        |
| Current Liabilities     | (14.926)   | (14.972)       |
| Non-current Liabilities | (38.041)   | (42.992)       |
| Net assets              | <u>233.349</u>   | <u>238.979</u> |



# The Cyprus Cement Public Company Limited

## 18 Investments accounted for using the equity method (continued)

### Summarised statement of comprehensive income

|   | <b>Vassiliko Cement Works Public<br/>Company Limited</b> |                      |
|---|--|----------------------|
|   | <b>2018<br/>€000</b>                                     | <b>2017<br/>€000</b> |
| Revenue                                 | <b>97.926</b>  | 102.467              |
| Profit for the year                     | <b>15.722</b>  | 19.873               |
| Other Comprehensive (loss)/income       | <b>(3.009)</b>   | 911                  |
| Total comprehensive income for the year | <b>12.713</b>  | 20.784               |

The information stated above reflect the amounts presented in the consolidated financial statements of the associate companies.

### Summarised reconciliation of financial information

The reconciliation of the summarized financial information is presented to the carrying value of the Investment in associate is as follows:

|  | <b>Vassiliko Cement Works Public<br/>Company Limited</b> |                      |
|--|--|----------------------|
|  | <b>2018<br/>€000</b>                                     | <b>2017<br/>€000</b> |
| <b>Summarised financial information</b>        |  |                      |
| Net assets at 1 January                        | <b>229.041</b>   | 224.083              |
| Profit for the year                            | <b>15.722</b>  | 19.873               |
| Other comprehensive (loss)/income for the year | <b>(3.009)</b>   | 911                  |
| Dividends                                      | <b>(18.343)</b>  | (15.826)             |
| <b>Net assets at 31 December</b>               | <b>223.411</b>   | 229.041              |
| Share of the investment in associate – 25,3%   | <b>56.461</b>  | 57.878               |
| <b>Carrying value</b>                          | <b>56.461</b>  | 57.878               |

### The Company

Set out below are presented the associate companies of the company at 31 December 2018 and 31 December 2017. The associate companies listed below have a share capital consisting exclusively of ordinary shares, held directly by the Company. The country of incorporation or registration is also the place of business.

|   | <b>Country</b> | <b>Principal activities</b>             | <b>%<br/>interest<br/>held</b> | <b>Measurement<br/>Method</b> |
|---|----------------|---|--------------------------------|-------------------------------|
| <b>2018</b>                                   |                |   |                                |                               |
| Vassiliko Cement Works Public Company Limited | Cyprus         | Production and sale of cement           | 25,3%                          | Cost Method                   |
| C.C.C. Secretarial Ltd                        | Cyprus         | Secretarial and administration services | 50,0%                          | Cost Method                   |
| <b>2017</b>                                   |                |   |                                |                               |
| Vassiliko Cement Works Public Company Limited | Cyprus         | Production and sale of cement           | 25,3%                          | Cost Method                   |
| C.C.C. Secretarial Ltd                        | Cyprus         | Secretarial and administration services | 50,0%                          | Cost Method                   |

# The Cyprus Cement Public Company Limited

## 19 Investment in subsidiaries

|   | 2018           | 2017        |
|---|----------------|-------------|
|   | €000           | €000        |
| At the beginning of the year  | <b>249.950</b> | 280.855     |
| Transfer to investments accounted for using the equity method (Note 18) | -              | (7)         |
| Capital return  | -              | (24.000)    |
| Impairment charge (Note 9)  | -              | (6.898)     |
|   | <hr/>          | <hr/>       |
| <b>At the end of the year</b>   | <b>249.950</b> | 249.950     |
|   | <hr/> <hr/>    | <hr/> <hr/> |

During 2017, the subsidiary, C.C.C. Real Estate Company Ltd, proceeded with a reduction of its share premium by €24.000 thousand. As a result, the subsidiary returned this amount to the Company, and the company recognized it as a capital return by reducing the book value of the investment, as the subsidiary does not have any available profits for distribution.

At 31 December 2017, the Company recognized an impairment charge of €6.898 thousand in relation of its investment in subsidiary, since its accounting value exceeded its recoverable amount. The recoverable amount of the subsidiary company was assessed based on fair value minus selling expenses.

The company classified the fair value at level 3. The following assumption have been used for the valuation of the fair value of the investment at 31 December 2017:

- fair value of investment property held by the subsidiary company
- fair value of the financial instruments held by the subsidiary company

The subsidiary companies, all of them registered in Cyprus, are listed below. Unless specified otherwise, subsidiaries have a share capital consisting exclusively of ordinary shares held directly by the group, and the percentage of ownership rights held is equal to the voting rights the group owns. The country of incorporation or registration is the place of business.

| Name  | Country of incorporation | Principal activities                                 | % interest held  |                  |
|---|--------------------------|--|------------------|------------------|
|   |                          |  | 31 December 2018 | 31 December 2017 |
|   |                          |  | %                | %                |
| C.C.C. Real Estate Company Limited                | Cyprus                   | Holding and development of investment property       | <b>100,00</b>    | 100,00           |
| CCC Laundries Limited <sup>(1)</sup>              | Cyprus                   | Dormant  | -                | 100,00           |
| C.C.C. Tourist Enterprises Public Company Limited | Cyprus                   | Holding of investments in hotel and tourism industry | <b>67,29</b>     | 67,29            |
| <b>Subsidiaries of CCC Laundries Limited</b>      |                          |  |                  |                  |
| White Linen (Famagusta) Limited <sup>(1)</sup>    | Cyprus                   | Dormant  | -                | 63,00            |

(1) Written off from Registrar of Companies on 4<sup>th</sup> July 2018.

The minority interest in subsidiary companies on 31 December 2017 was €6.773 thousand (2017: €6.784 thousand) and it relates to the minority interest of C.C.C. Tourist Enterprises Public Company Limited. The minority interest's percentage of C.C.C. Tourist Enterprises Public Company Limited is 32,71%. The share of loss for the year ended 31 December 2018 attributable to the minority interest of C.C.C. Tourist Enterprises Public Company Limited was €12 thousand (2017: €16 thousand).

# The Cyprus Cement Public Company Limited

## 19 Investment in subsidiaries (continued)

### Summarised balance sheet

|                        | <b>C.C.C. Tourist Enterprises Public<br/>Company Limited</b> |               |
|------------------------|--|---------------|
|                        | <b>2018</b>  | 2017          |
|                        | <b>€000</b>  | €000          |
| Current assets         | 142  | 142           |
| Current liabilities    | (139)  | (103)         |
| Net current assets     | <u>3</u>   | <u>39</u>     |
| Non-current assets     | 20.703   | 20.703        |
| Net non-current assets | <u>20.703</u>  | <u>20.703</u> |
| Net assets             | <u>20.706</u>  | <u>20.742</u> |

### Summarised income statement

|                          | <b>C.C.C. Tourist Enterprises Public<br/>Company Limited</b> |             |
|--------------------------|--|-------------|
|                          | <b>2018</b>  | 2017        |
|                          | <b>€000</b>  | €000        |
| Loss for the year        | (36)   | (43)        |
| Other comprehensive loss | -  | -           |
| Total comprehensive loss | <u>(36)</u>  | <u>(43)</u> |

### Summarised cash flows

|   | <b>C.C.C. Tourist Enterprises Public<br/>Company Limited</b> |             |
|---|--|-------------|
|   | <b>2018</b>  | 2017        |
|   | <b>€000</b>  | €000        |
| <b>Cash flows from operating activities</b>         |  |             |
| Cash generated from operations                      | (40)   | (41)        |
| Interest paid                                       | -  | (1)         |
| Net cash used in operating activities               | <u>(40)</u>  | <u>(42)</u> |
| Net cash from investing activities                  | -  | 7           |
| Net cash from financing activities                  | <u>40</u>  | <u>68</u>   |
| Net increase/(decrease) in cash and bank overdrafts | -  | 33          |
| Cash and bank overdrafts at beginning of year       | -  | (33)        |
| Cash and bank overdrafts at end of year             | <u>-</u>   | <u>-</u>    |

The information above is the amount before inter-company eliminations.

# The Cyprus Cement Public Company Limited

## 20 Financial assets at fair value through other comprehensive income (2017: Available-for-sale financial assets)

### Investment at fair value through other comprehensive income

| Investment in equity securities were determined at fair value through other comprehensive income | The Group     |        | The Company |      |
|--|---------------|--------|-------------|------|
|  | 2018          | 2017   | 2018        | 2017 |
|  | €000          | €000   | €000        | €000 |
| Unlisted equity securities   | <b>20.703</b> | 20.703 | -           | -    |

The Group's share in the share capital of Parklane Hotels Ltd is 24,98% (2017: 24,98%).

The Group's investment in Parklane Hotels Ltd is measured at fair value, in accordance with the IFRS 9 principles "Financial Instruments".

### (i) Valuation technique and key assumptions

The fair value of the investment at 31 December 2017 and 31 December 2018 was estimated by the Group's Management based on the discounted cash flow method for the valuation of the residential apartments building and the EBITDA multiple for the valuation of the hotel complex. The Group's Management took also in consideration the opening date of the hotel complex which was still under renovation at 31 December 2018.

### Information in respect of valuation of fair value using non-observable inputs (Level 3)

| Description                     | Fair value method 2018  | Non – observable data 2018  | Connection between non – observable data and fair value 2018   |
|---------------------------------|---|---|--|
| Hotel Complex                   | Fair value method based on operating profit (EBITDA multiple) | Multiplier: 16<br>Expected operating profit (EBITDA): €10.000.000   | The higher are the multiplier and the expected operating profit, the higher the fair value   |
| Residential apartments building | Discounted cash flow method                                   | Expected sale price of residential apartments<br>Between €12.000 and €18.000 per square meter<br><br>Discount rate: 7,06% | The higher the sale price per square meter is, the greater the fair value.<br><br>The higher the discount rate, the lower the fair value |
| Description                     | Fair value method 2017  | Non – observable data 2017  | Connection between non – observable data and fair value 2017   |
| Hotel Complex                   | Fair value method based on operating profit (EBITDA multiple) | Multiplier: 16<br>Expected operating profit(EBITDA) : €10.000.000   | The higher are the multiplier and the expected operating profit, the higher the fair value   |
| Residential apartments building | Discounted cash flow method                                   | Expected sale price of residential apartments<br>Between €10.000 and €17.000 per square meter<br><br>Discount rate: 7,48% | The higher the sale price per square meter is, the greater the fair value.<br><br>The higher the discount rate, the lower the fair value |

# The Cyprus Cement Public Company Limited

## 20 Financial assets at fair value through other comprehensive income (2017: Available-for-sale financial assets) (continued)

### (ii) Sensitivity

The table below shows the possible impact on the fair value of the investment in Parklane Hotels Ltd in other comprehensive income, from the change in significant assumptions. The positive amount reflects the net possible profit and the negative amount the net possible loss to other comprehensive income.

| <b>Change in assumptions</b>   | <b>Impact in other<br/>comprehensive<br/>income<br/>2018<br/>€000</b> |
|--|---|
| <u>Operating profit method (Hotel complex)</u>                       |   |
| Increase by 10% in the expected operating profit                     | 3.597   |
| Decrease by 10% in the expected operating profit                     | (3.597)   |
|  | <hr/>   |
| Increase by 1 unit in the multiplier                                 | 2.248   |
| Decrease by 1 unit in the multiplier                                 | (2.248)   |
|  | <hr/>   |
| <u>Discounted cash flow method (Residential apartments building)</u> |   |
| Increase by 10% in expected sale price                               | 1.825   |
| Decrease by 10% in expected sale price                               | (1.825)   |
|  | <hr/>   |
| Increase by 0,5 percentage points of the discount rate               | (127)   |
| Decrease by 0,5 percentage points of the discount rate               | 127   |
|  | <hr/>   |
| <br>   |   |
| <b>Change in assumptions</b>   | <b>Impact in other<br/>comprehensive<br/>income<br/>2017<br/>€000</b> |
| <u>Operating profit method (Hotel complex)</u>                       |   |
| Increase by 10% of EBITDA  | 3.597   |
| Decrease by 10% of EBITDA  | (3.597)   |
|  | <hr/>   |
| Increase by 1 unit in the multiplier                                 | 2.248   |
| Decrease by 1 unit in the multiplier                                 | (2.248)   |
|  | <hr/>   |
| <u>Discounted cash flow method (Residential apartments building)</u> |   |
| Increase by 10% in expected sale price                               | 1.960   |
| Decrease by 10% in expected sale price                               | (1.960)   |
|  | <hr/>   |
| Increase by 0,5 percentage points of the discount rate               | (82)  |
| Decrease by 0,5 percentage points of the discount rate               | 82  |
|  | <hr/>   |

# The Cyprus Cement Public Company Limited

## 20 Financial assets at fair value through other comprehensive income (2017: Available-for-sale financial assets) (continued)

The fair value of the investment is included in level 3 (Note 6 (iii) fair value estimations) since the valuation technique is based on significant non-observative inputs of the market.

The investment measured at fair value through other comprehensive income is analysed as follows:

|   | The Group     |              | The Company  |              |
|---|---------------|--------------|--------------|--------------|
|   | 2018<br>€000  | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Euro - functional and presentation currency | <b>20.703</b> | 20.703       | -            | -            |

## 21 Financial assets at amortised cost

|  | The Group    |              | The Company   |              |
|--|--------------|--------------|---------------|--------------|
|  | 2018<br>€000 | 2017<br>€000 | 2018<br>€000  | 2017<br>€000 |
| <b>Current</b>   |              |              |               |              |
| Loan granted to ultimate holding company<br>(Note 30 (viii)) | <b>2.693</b> | 1.911        | <b>2.693</b>  | 1.911        |
| Loan granted to holding company<br>(Note 30 (viii))          | <b>6.590</b> | 6.752        | <b>6.590</b>  | 6.752        |
| Other receivables  | <b>142</b>   | 142          | -             | -            |
| Receivables from related parties<br>(Note 30 (iv))           | <b>168</b>   | 44           | <b>1.839</b>  | 981          |
|  | <b>9.593</b> | 8.849        | <b>11.122</b> | 9.644        |

All loan receivables are repayable on demand, bear annual interest rate 3,25% and are secured (Note 30 (viii)).

Due to the short-term nature of the current financial assets at amortised cost, their carrying amount at the balance sheet date is considered to be at fair value.

Note 6 provides information on the impairment of financial assets at amortised cost and the exposure of Group's/Company's Credit Risk.

The carrying amounts of the Company's and Group's loan receivables are denominated in the following currencies:

|      | The Group    |              | The Company   |              |
|------|--------------|--------------|---------------|--------------|
|      | 2018<br>€000 | 2017<br>€000 | 2018<br>€000  | 2017<br>€000 |
| Euro | <b>9.593</b> | 8.849        | <b>11.122</b> | 9.644        |
|      | <b>9.593</b> | 8.849        | <b>11.122</b> | 9.644        |

The maximum exposure to credit risk at the balance sheet date is the carrying value of receivables mentioned above. The Group's/Company's loan receivables are secured with Corporate Guarantees.

# The Cyprus Cement Public Company Limited

## 22 Cash and cash equivalents at bank

|                          | <u>The Group</u>    |              | <u>The Company</u>  |              |
|--------------------------|---------------------|--------------|---------------------|--------------|
|                          | <b>2018</b><br>€000 | 2017<br>€000 | <b>2018</b><br>€000 | 2017<br>€000 |
| Cash at bank and in hand | <b>2.009</b>        | 1.341        | <b>2.010</b>        | 1.341        |
|                          | <b><u>2.009</u></b> | <u>1.341</u> | <b><u>2.010</u></b> | <u>1.341</u> |

For the purposes of the statement of cash flow, cash and cash equivalents with the bank include:

|                          | <u>The Group</u>    |              | <u>The Company</u>  |              |
|--------------------------|---------------------|--------------|---------------------|--------------|
|                          | <b>2018</b><br>€000 | 2017<br>€000 | <b>2018</b><br>€000 | 2017<br>€000 |
| Cash at bank and in hand | <b>2.009</b>        | 1.341        | <b>2.010</b>        | 1.341        |
|                          | <b><u>2.009</u></b> | <u>1.341</u> | <b><u>2.010</u></b> | <u>1.341</u> |

The carrying amounts of the Group's and Company's cash and cash equivalents are denominated in the following currencies:

|      | <u>The Group</u>    |              | <u>The Company</u>  |              |
|------|---------------------|--------------|---------------------|--------------|
|      | <b>2018</b><br>€000 | 2017<br>€000 | <b>2018</b><br>€000 | 2017<br>€000 |
| Euro | <b>2.009</b>        | 1.341        | <b>2.010</b>        | 1.341        |
|      | <b><u>2.009</u></b> | <u>1.341</u> | <b><u>2.010</u></b> | <u>1.341</u> |

### Non-cash transactions

The main non-cash transactions of the Group, during the current year, were as follows:

- The payment of dividends by the Group of €1.023 thousand, against loan receivables by related companies.

The main non-cash transactions of the Company, during the current year, were as follows:

- The payment of dividends by the Company of €1.023 thousand, against loan receivables from related companies.

The main non-cash transactions of the Group, during the year 2017, were as follows:

- The disposal of part of the subsidiary's investment property to a subsidiary of Bank of Cyprus Public Company Ltd, as part of the restructuring of the Group's and other related companies credit facilities (note 17);
- The settlement of bank borrowings of €7.315 thousand against the sale of part of the subsidiary's investment property to a subsidiary of Bank of Cyprus Public Company Ltd (Note 17);
- The settlement of bank borrowings of €11.088 thousand, against loan receivables from related companies;
- The settlement of loan to related company of €3.194 thousand, against loan receivables from related companies;
- The payment of dividends by the Group of €1.510 thousand, against loan receivables by related companies.

# The Cyprus Cement Public Company Limited

## 22 Cash and cash equivalents at bank (continued)

The main non-cash transactions of the Company, during the year 2017, were as follows:

- The capital return from the subsidiary company of €24.000 thousand, against loan receivables from related companies, which were assigned by the subsidiary to the Company;
- The settlement of bank borrowings of €3.825 thousand against the disposal of part of the subsidiary's investment property to a subsidiary of Bank of Cyprus Public Company Ltd (Note 17);
- The settlement of bank borrowings of €7.924 thousand, against loan receivables from related companies;
- The settlement of loan to related company of €3.194 thousand, against loan receivables from related companies;
- The payment of dividends by the Company of €1.510 thousand, against loan receivables from related companies.

### Reconciliation of obligations arising from financing activities at the year ended 31 December 2017

#### The Group

|  | Bank loans<br>€000 | Loans from<br>related parties<br>€000 | Total borrowings<br>from financing<br>activities<br>€000 |
|--|--------------------|---------------------------------------|--|
| Balance at 1 January 2017  | 18.606             | 2.793                                 | 21.399   |
| Cash transactions:   |                    |                                       |  |
| Proceeds from borrowings   | -                  | 380                                   | 380  |
| Repayment of borrowings  | (203)              | -                                     | (203)  |
| Interest paid  | (304)              | -                                     | (304)  |
| Interest expenses  | 304                | 21                                    | 325  |
| Non-cash transactions:   |                    |                                       |  |
| Repayment of loans against loan receivables from related companies | (11.088)           | (3.194)                               | (14.282)   |
| Repayment of loans against sale of part of investment property     | (7.315)            | -                                     | (7.315)  |
| Balance at 31 December 2017  | -                  | -                                     | -  |

#### The Company

|   | Bank<br>borrowings<br>€000 | Borrowings from<br>related parties<br>€000 | Total borrowings<br>from financing<br>activities<br>€000 |
|---|----------------------------|--|--|
| Balance at 1 January 2017   | 11.952                     | 2.793                                      | 14.745   |
| Cash transactions:  |                            |  |  |
| Proceeds from borrowings  | -                          | 380  | 380  |
| Repayment of borrowings   | (203)                      | -  | (203)  |
| Interest paid   | (208)                      | -  | (208)  |
| Interest expenses   | 208                        | 21   | 229  |
| Non-cash transactions:  |                            |  |  |
| Repayment of borrowings against loan receivables from related parties | (7.924)                    | (3.194)                                    | (11.118)   |
| Repayment of borrowings against sale of part of investment property   | (3.825)                    | -  | (3.825)  |
| Balance at 31 December 2017   | -                          | -  | -  |

(71)



# The Cyprus Cement Public Company Limited

## 23 Other assets

|                            | The Group    |              | The Company  |              |
|----------------------------|--------------|--------------|--------------|--------------|
|                            | 2018<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Value Added Tax Refundable | <u>513</u>   | <u>410</u>   | <u>-</u>     | <u>-</u>     |

## 24 Share capital and share premium

|                              | 31 December 2018   |                                |                       | 31 December 2017   |                                |                       |
|------------------------------|--------------------|--------------------------------|-----------------------|--------------------|--------------------------------|-----------------------|
|                              | Number of shares   | Ordinary share capital<br>€000 | Share premium<br>€000 | Number of shares   | Ordinary share capital<br>€000 | Share premium<br>€000 |
| <b>Issued and fully paid</b> |                    |                                |                       |                    |                                |                       |
| At beginning of year         | 137.610.883        | 59.173                         | 910                   | 137.610.883        | 59.173                         | 910                   |
| At end of year               | <u>137.610.883</u> | <u>59.173</u>                  | <u>910</u>            | <u>137.610.883</u> | <u>59.173</u>                  | <u>910</u>            |

The total authorised number of ordinary shares is 200.000.000 shares (2017: 200.000.000 shares) with a nominal value of €0,43 per share (2017: nominal value of €0,43 per share). All issued shares are fully paid.

## 25 Borrowings

### The Company and the Group

After the completion of the Agreement in 2017, for the disposal of a plot of land to Bank of Cyprus Public Company Ltd, (through its 100% subsidiary Nelipo Properties Ltd) within the framework of the restructuring of Group and other related companies credit facilities, the Group and the Company have become debt free without any bank borrowings, since the Group's and the Company's loans to other banking institutions have been taken over related companies. The undrawn borrowing facilities are secured by personal guarantees of Messrs. George Galatariotis and Costas Galatariotis amounted to €1.600 thousand (Note 30 (vii)).

The Company/Group has the following undrawn borrowing facilities:

|  | The Group    |              | The Company  |              |
|--|--------------|--------------|--------------|--------------|
|  | 2018<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Floating rate:<br>Expiring within one year | <u>1.595</u> | <u>1.595</u> | <u>1.560</u> | <u>1.560</u> |

The facilities expiring within one year are annual facilities subject to review at various dates.

# The Cyprus Cement Public Company Limited

## 26 Deferred tax liabilities

The movement in deferred tax liabilities, without taking into consideration the offsetting of balances not related to the same tax authority, is as follows:

### The Group

|                                      | Profit fair<br>value<br>€000 | Total<br>€000 |
|--------------------------------------|------------------------------|---------------|
| At 1 January 2017                    | 54.125                       | 54.125        |
| Charge to profit or loss (Note 13)   | (6.624)                      | (6.624)       |
| Credit to other comprehensive income | (2.288)                      | (2.288)       |
| <b>At 31 December 2017</b>           | <b>45.213</b>                | <b>45.213</b> |
|                                      | Profit fair<br>value<br>€000 | Total<br>€000 |
| At 1 January 2018                    | 45.213                       | 45.213        |
| <b>At 31 December 2018</b>           | <b>45.213</b>                | <b>45.213</b> |

The amount of €2.288 thousand which was credited to other comprehensive income in 2017, represents deferred tax adjustment recognized in other comprehensive income in previous years, and related to property, plant and machinery, that were transferred later to investment property and were presented at fair value through profit or loss.

### The Company

|                                    | Investment in<br>subsidiary<br>companies<br>€000 | Total<br>€000 |
|------------------------------------|--|---------------|
| At 1 January 2017                  | 53.566   | 53.566        |
| Credit to profit or loss (Note 13) | (9.669)  | (9.669)       |
| <b>At 31 December 2017</b>         | <b>43.897</b>                                    | <b>43.897</b> |
|                                    | Investment in<br>subsidiary<br>companies<br>€000 | Total<br>€000 |
| At 1 January 2018                  | 43.897   | 43.897        |
| <b>At 31 December 2018</b>         | <b>43.897</b>                                    | <b>43.897</b> |

## 27 Trade and other payables

|  | The Group    |              | The Company  |              |
|--|--------------|--------------|--------------|--------------|
|  | 2018<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Payables to related parties (Note 30 (iv)) | 15           | 6            | 9            | 6            |
| Other payables and accrued expenses        | 138          | 48           | 130          | 29           |
|  | <b>153</b>   | <b>54</b>    | <b>139</b>   | <b>35</b>    |

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

# The Cyprus Cement Public Company Limited

## 28 Provisions

|                                 | The Group    |              | The Company  |              |
|---------------------------------|--------------|--------------|--------------|--------------|
|                                 | 2018<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Provision for road construction | 300          | 300          | -            | -            |
| At 31 December 2018             | <u>300</u>   | <u>300</u>   | <u>-</u>     | <u>-</u>     |

## 29 Contingencies and commitments

### Other contingent liabilities of the Company/Group

The Group is guarantor of the related companies loans as described in Note 30 (vi). The Board of Directors does not expect any significant liabilities to the Group in respect to these guarantees.

The obligations related to the credit commitment obligations are as follows:

|                                  | Note  | 2018<br>€000 | 2017<br>€000 |
|----------------------------------|-------|--------------|--------------|
| Finance guarantees               | 6 (i) | 1.500        | 1.500        |
| Provision for finance guarantees | 6 (i) | -            | -            |

## 30 Related party transactions

The Company is controlled by C.C.C. Holdings & Investments Limited (parent company), which is registered in Cyprus. The ultimate holding company is George S. Galatariotis & Sons Limited, also registered in Cyprus.

The related companies are companies under common control, companies controlled by the Directors of the Company and companies exercising significant influence to the Group and the Company.

The following transactions were carried out with related parties:

### (i) Purchases of services

|   | The Group    |              | The Company  |              |
|---|--------------|--------------|--------------|--------------|
|   | 2018<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Related companies:<br>Management and administrative<br>services | 580          | 691          | 36           | 43           |
|   | <u>580</u>   | <u>691</u>   | <u>36</u>    | <u>43</u>    |

# The Cyprus Cement Public Company Limited

## 30 Related party transactions (continued)

### (ii) Interest on balances with related parties

|                              | The Group    |              | The Company  |              |
|------------------------------|--------------|--------------|--------------|--------------|
|                              | 2018<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Interest payable (Note 12):  |              |              |              |              |
| Related company              | -            | 21           | -            | 21           |
|                              | <u>-</u>     | <u>21</u>    | <u>-</u>     | <u>21</u>    |
| Interest received (Note 10): |              |              |              |              |
| Loans to related entities    | 286          | 393          | 286          | 352          |
|                              | <u>286</u>   | <u>393</u>   | <u>286</u>   | <u>352</u>   |

### (iii) Key management personnel and Directors' compensation

#### The Group

The total remuneration of key management personnel (including also Directors' and Audit Committees' remuneration) was as follows:

|                                    | Fees for the<br>Members of<br>the Board of<br>Directors<br>€000 | Fees for the<br>Members of the<br>Audit<br>Committee<br>€000 | Total<br>€000   |
|------------------------------------|---|--|-----------------|
| <b>Year ended 31 December 2018</b> |   |  |                 |
| <b>Executive Directors</b>         |   |  |                 |
| George St. Galatariotis            | 1   | -  | 1               |
| Costas St. Galatariotis            | 1   | -  | 1               |
| Stavros G. St. Galatariotis        | 1   | -  | 1               |
|                                    | <u>3</u>  | <u>-</u>   | <u>3</u>        |
| <b>Non-executive Directors</b>     |   |  |                 |
| Michalis Moushouttas               | 1   | 1  | 2               |
| Antonis Antoniou                   | 1   | 1  | 2               |
| Tasos Anastasiou                   | 1   | 1  | 2               |
|                                    | <u>3</u>  | <u>3</u>   | <u>6</u>        |
| <b>Total</b>                       | <u><b>6</b></u>   | <u><b>3</b></u>  | <u><b>9</b></u> |

# The Cyprus Cement Public Company Limited

## 30 Related party transactions (continued)

### (iii) Key management personnel and Directors' compensation (continued)

#### The Group (continued)

|                                    | Fees<br>€000    | Total<br>€000   |
|------------------------------------|-----------------|-----------------|
| <b>Year ended 31 December 2017</b> |                 |                 |
| <b>Executive Directors</b>         |                 |                 |
| George St. Galatariotis            | 1               | 1               |
| Costas St. Galatariotis            | 1               | 1               |
| Stavros G. St. Galatariotis        | 1               | 1               |
| Tasos Anastasiou                   | 1               | 1               |
|                                    | <u>4</u>        | <u>4</u>        |
| <b>Non-executive Directors</b>     |                 |                 |
| Michalis Moushouttas               | 1               | 1               |
| Antonis Antoniou                   | 1               | 1               |
|                                    | <u>2</u>        | <u>2</u>        |
| <b>Total</b>                       | <u><u>6</u></u> | <u><u>6</u></u> |

#### The Company

|                                    | Fees for the<br>Members of<br>the Board of<br>Directors<br>€000 | Fees for the<br>Members of the<br>Audit<br>Committee<br>€000 | Total<br>€000   |
|------------------------------------|---|--|-----------------|
| <b>Year ended 31 December 2018</b> |   |  |                 |
| <b>Executive Directors</b>         |   |  |                 |
| George St. Galatariotis            | 1   | -  | 1               |
| Costas St. Galatariotis            | 1   | -  | 1               |
| Stavros G. St. Galatariotis        | 1   | -  | 1               |
|                                    | <u>3</u>  | <u>-</u>   | <u>3</u>        |
| <b>Non-executive Directors</b>     |   |  |                 |
| Michalis Moushouttas               | 1   | 1  | 2               |
| Antonis Antoniou                   | 1   | 1  | 2               |
| Tasos Anastasiou                   | 1   | 1  | 2               |
|                                    | <u>3</u>  | <u>3</u>   | <u>6</u>        |
| <b>Total</b>                       | <u><u>6</u></u>   | <u><u>3</u></u>  | <u><u>9</u></u> |

# The Cyprus Cement Public Company Limited

## 30 Related party transactions (continued)

### (iii) Key management personnel and Directors' compensation (continued)

#### The Company (continued)

|                                    | Fees<br>€000    | Total<br>€000   |
|------------------------------------|-----------------|-----------------|
| <b>Year ended 31 December 2017</b> |                 |                 |
| <b>Executive Directors</b>         |                 |                 |
| George St. Galatariotis            | 1               | 1               |
| Costas St. Galatariotis            | 1               | 1               |
| Stavros G. St. Galatariotis        | 1               | 1               |
| Tasos Anastasiou                   | 1               | 1               |
|                                    | <u>4</u>        | <u>4</u>        |
| <b>Non-executive Directors</b>     |                 |                 |
| Michalis Moushouttas               | 1               | 1               |
| Antonis Antoniou                   | 1               | 1               |
|                                    | <u>2</u>        | <u>2</u>        |
| <b>Total</b>                       | <u><u>6</u></u> | <u><u>6</u></u> |

### (iv) Year end balances

|  | <u>The Group</u>  |           | <u>The Company</u>  |            |
|--|-------------------|-----------|---------------------|------------|
|  | <b>2018</b>       | 2017      | <b>2018</b>         | 2017       |
|  | <b>€000</b>       | €000      | <b>€000</b>         | €000       |
| Receivable from related parties (Note 21): |                   |           |                     |            |
| Related companies                          | <b>168</b>        | 44        | <b>164</b>          | 44         |
| Subsidiary companies                       | -                 | -         | <b>1.675</b>        | 937        |
|  | <u><b>168</b></u> | <u>44</u> | <u><b>1.839</b></u> | <u>981</u> |
| Payable to related parties (Note 27):      |                   |           |                     |            |
| Directors                                  | <b>15</b>         | 6         | <b>9</b>            | 6          |
|  | <u><b>15</b></u>  | <u>6</u>  | <u><b>9</b></u>     | <u>6</u>   |

The receivable and payable to related parties do not bear interest, are not secured and are repayable on demand.

# The Cyprus Cement Public Company Limited

## 30 Related party transactions (continued)

### (v) Loans from related companies

|   | The Group    |              | The Company  |              |
|---|--------------|--------------|--------------|--------------|
|   | 2018<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Loan from company which exercises significant influence on the Group/Company: |              |              |              |              |
| At beginning of year  | -            | 2.793        | -            | 2.793        |
| Loan granted during year  | -            | 380          | -            | 380          |
| Loan assigned to parent company during year (Note 30 (viii))                  | -            | (3.194)      | -            | (3.194)      |
| Interest paid (Note 30 (ii))  | -            | 21           | -            | 21           |
| At end of year  | -            | -            | -            | -            |

The loan from the Company that exercises significant influence on the Group/Company brought interest at 4,00%, was not secured and was fully repaid in 2017.

### (vi) Guarantees for loans provided to related companies

The Group has guaranteed bank loans and overdrafts of related parties as follows:

|                         | 2018                                      |                              | 2017                                      |                              |
|-------------------------|---|------------------------------|---|------------------------------|
|                         | Guarantees on investment property<br>€000 | Corporate guarantees<br>€000 | Guarantees on investment property<br>€000 | Corporate guarantees<br>€000 |
| Ultimate parent company | 1.677                                     | 1.500                        | 1.677                                     | 1.500                        |
|                         | <u>1.677</u>                              | <u>1.500</u>                 | <u>1.677</u>                              | <u>1.500</u>                 |

### (vii) Personal guarantees of Directors

The Group's/Company's unused bank overdrafts for the years ended 31 December 2018 and 2017 are secured by personal guarantees of Messrs. George Galatariotis and Costas Galatariotis for the amount of €800 thousand and €800 thousand respectively.

# The Cyprus Cement Public Company Limited

## 30 Related party transactions (continued)

### (viii) Loans to related parties

|  | The Group    |              | The Company  |              |
|--|--------------|--------------|--------------|--------------|
|  | 2018<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Loan to ultimate parent company:   |              |              |              |              |
| At the beginning of the year   | 1.911        | -            | 1.911        | -            |
| Loan receivable assigned by the company and the subsidiary during the year   | -            | 9.831        | -            | 9.831        |
| Loan granted during the year   | 1.097        | 160          | 1.097        | 160          |
| Loan that set off against dividends payable by the company                   | (389)        | (311)        | (389)        | (311)        |
| Bank Loans assigned by the company and then set off against loan receivables | -            | (7.924)      | -            | (7.924)      |
| Interest charge (Note 30 (ii))   | 75           | 155          | 75           | 155          |
| At the end of year (Note 21)   | <u>2.693</u> | <u>1.911</u> | <u>2.693</u> | <u>1.911</u> |

The loan bears interest at 3,25%, is secured by corporate guarantee and is payable on demand.

|   | The Group    |              | The Company  |              |
|---|--------------|--------------|--------------|--------------|
|   | 2018<br>€000 | 2017<br>€000 | 2018<br>€000 | 2017<br>€000 |
| Loan to parent company:   |              |              |              |              |
| At the beginning of the year  | 6.752        | -            | 6.752        | -            |
| Loan receivable assigned by the subsidiary during the year  | -            | 10.563       | -            | 10.563       |
| Loan granted during the year  | 15           | -            | 15           | -            |
| Loan receivable assigned from company which exercises significant influence on the Group/Company during the year        | -            | 400          | -            | 400          |
| Loan set off against dividend payable by the company  | (634)        | (1.214)      | (634)        | (1.214)      |
| Loan assigned during the year   | 246          | -            | 246          | -            |
| Set off against loan that was assigned by the company exercise significant influence on the group/company (Note 30 (v)) | -            | (3.194)      | -            | (3.194)      |
| Interest charge (Note 30 (ii))  | 211          | 198          | 211          | 198          |
| At the end of the year (Note 21)  | <u>6.590</u> | <u>6.752</u> | <u>6.590</u> | <u>6.752</u> |

The loan bears interest at 3,25%, is secured by corporate guarantee and is payable on demand.

## 31 Events after the balance sheet date

There were no other significant post balance sheet events that are relevant to the understanding of the financial statements.



# The Cyprus Cement Public Company Limited

## 32 Significant accounting policies until 31 December 2017

The accounting policies that have applied during the comparative period ending 31 December 2017 and were amended by IFRS 9 and IFRS 15 are as follows.

### Revenue recognition

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's and Company's activities as described below. The Company and the Group base their estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Group and the Company are recognised on the following bases:

#### (i) Interest income

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Company/Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

#### (ii) Dividend income

Dividend income is recognised when the right of the Company/Group to receive payment is established. However the investment may need to be tested for any impairment.

### Financial assets

#### (i) Classification

The Company/Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's/Group's loans and receivables comprise "loans receivable", "trade and other receivables" and "cash and bank balances" in the balance sheet.

- **Available for sale financial assets**

Available for sale financial assets are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless management intends to dispose of the investment within twelve months of the balance sheet date.

# The Cyprus Cement Public Company Limited

## 32 Significant accounting policies until 31 December 2017 (continued)

### Financial assets (continued)

#### (ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Company/the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company/the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method.

#### (iii) Impairment of financial assets

The Company/Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or 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 reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

# The Cyprus Cement Public Company Limited

## 32 Summary of significant accounting policies until 31 December 2017 (continued)

### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowing costs are interest and other costs that the Company/Group incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company/Group and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Company/Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

### **Financial guarantees**

Financial guarantees are recognized as a financial liability when the guarantee is issued. The liability is initially measured at its fair value and subsequently greater than the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognized less accumulated depreciation, as appropriate.

The fair value of the financial guarantees is determined as the present value of the difference between the net cash flows between the contractual payments under the loan agreement and the payments that would be required without the guarantee or the estimate of the amount that would be payable to third parties for the commitment of the obligations.

### **Cash and cash equivalents**

In statement of cash flows, the cash and cash equivalents include cash in hand and deposits at bank.

Independent auditor's report on pages 10 to 17.