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AUDITORS' REPORT

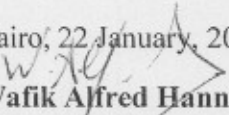
**To Titan Cement Company S.A., Parent Company
of Alexandria Portland Cement Company S.A.E.**

We have audited the accompanying consolidated balance sheet of Alexandria Portland Cement Company S.A.E. as of December 31, 2005, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These financial statements are prepared in accordance with the accounting policies of Titan Cement Company, parent Company in Greece, and are not the statutory financial statements of the Company. *These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.*

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, present fairly, in all material respects, the financial position of the Company and its subsidiary as of December 31, 2005, and the results of their operations and cash flows for the year then ended in accordance with International Accounting Standards, and accounting policies of Titan.

Cairo, 22 January, 2006.


Wafik Alfred Hanna
CPA - FESAA
Saleh, Barsoum & Abdel Aziz - Deloitte.

Alexandria Portland Cement Company
S.A.E
Consolidated Income Statement
for the year ended December 31, 2005
(amounts expressed in thousand Egyptian pound)

	<u>Note</u>	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Sales, net	1j,21	409 682	351 390
Cost of sales	22	(225 865)	(205 858)
Gross profit		<u>183 817</u>	<u>145 532</u>
Distributions expenses		(4 064)	(9 301)
Administrative expenses	23	(13 325)	(10 903)
Operating profit		<u>166 428</u>	<u>125 328</u>
Finance expenses		(61 176)	(71 466)
Other provisions		(18 341)	(2 682)
Finance income		3 708	1 849
Investment income		105 063	310
Foreign exchange gain (loss)	1b	1 107	(2 140)
Other income	24	168	48 692
Fixed assets impairment		(2 157)	-
Employees early retirement indemnification		-	(1 312)
Other expenses		(531)	(751)
Capital gain		82	-
Net profit for the year before minority interest		<u>194 351</u>	<u>97 828</u>
Minority interest in results of the year		(342)	(11 522)
Net profit for the year after minority interest and before taxes		<u>194 009</u>	<u>86 306</u>
Tax benefit	28	367	-
Net profit for the year after minority interest and taxes		<u>194 376</u>	<u>86 306</u>
Earnings per share	27	<u>16</u>	<u>7</u>

- The accompanying notes form an integral part of the financial statements.

Alexandria Portland Cement Company
S.A.E
Consolidated Balance Sheet as of December 31, 2005
(amounts expressed in thousand Egyptian pound)

	<u>Note</u>	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Assets			
Non-current assets			
Property, plant and equipment, net	1c,2	682 411	728 963
Intangible assets, net	1e,5	2 480	5 338
Advance payments for capital expenditures	1d,3	25 193	6 081
Other long term assets	1f,6	35 500	35 500
Long term investment	1i,4	32 696	3 518
Deferred income tax	1k,28	367	-
Total non-current assets		<u>778 647</u>	<u>779 400</u>
Current assets			
Inventories	1h,7	108 221	88 495
Provision for inventories- obsolescence	7	(31 345)	(18 129)
		<u>76 876</u>	<u>70 366</u>
Due from affiliates	8	11 272	8 657
Trade receivable		194	10 770
Other current assets	9	31 550	32 061
Provision for other current assets		(281)	(649)
		<u>42 735</u>	<u>50 839</u>
Placements with banks	10	107 735	32 339
Cash and cash equivalents	11	15 071	15 948
Total current assets		<u>122 806</u>	<u>48 287</u>
Total assets		<u>1 021 064</u>	<u>948 892</u>
Shareholders' equity and liabilities			
Capital and reserves			
Share capital	18	120 000	120 000
Legal reserve	1n,19	26 953	26 953
General reserve	19	9 031	9 031
Retained earning (Accumulated loss)		65 119	(21 187)
Net profit for the year		194 376	86 306
Minority interest	20	1 974	1 699
Total shareholders' equity		<u>417 453</u>	<u>222 802</u>
Non-current liabilities			
Borrowings	12	432 900	287 104
Sales tax installments-long term		2 630	3 666
Total non-current liabilities		<u>435 530</u>	<u>290 770</u>
Current liabilities			
Due to affiliates	17	5 700	8 394
Accounts payable		16 877	29 697
Customers' advance payments		11 096	8 433
Other current liabilities	15	51 767	36 046
Accrued expenses	16	23 694	37 310
Provisions, others	1o,13	21 990	18 297
Bank over drafts	14	9	3 238
Borrowings-short term portion	12	36 948	293 905
Total current liabilities		<u>168 081</u>	<u>435 320</u>
Total shareholders' equity and liabilities		<u>1 021 064</u>	<u>948 892</u>

- The accompanying notes form an integral part of the financial statements.

- Auditors' report attached.

Salem Soussou
Chief Financial Officer

Khaled Badawy
Chief Executive Officer

Alexandria Portland Cement Company
S.A.E
Consolidated Financial Statements
Cash Flow Statement
for the year ended December 31, 2005
(amounts expressed in Egyptian pound)

	<u>Note</u>	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2005</u>
<u>Cash flows from operating activities</u>			
Net profit for the year		194 376	86 306
<u>Adjustments to reconcile net profit with cash flows from operating activities</u>			
Depreciation		47 730	47 906
Interest expense		61 176	67 757
Foreign exchange loss		(1 107)	2 140
Interest waived		-	(46 712)
Capital gains		(83)	-
Fixed assets impairment		2 157	-
Provisions		6 671	3 994
Minority interest		342	11 522
Interest income		(3 708)	(2 159)
Income taxes		(367)	-
Investment income		(105 063)	-
Operating profit before working capital changes		202 124	170 754
Increase in inventory		(7 572)	(2 834)
Decrease (increase) in other debit balances		10 310	(14 624)
Increase in due from affiliates		(2 615)	(19 284)
Decrease in other credit balances		(13 342)	(2 411)
(Decrease) increase in due to affiliates		(2 694)	18 642
Net cash from operating activities		186 211	150 243
<u>Cash flows from investing activities</u>			
Purchase of fixed assets and other long term assets		(19 683)	(23 486)
Interest received		3 583	1 646
Proceeds from sales of investment		106 729	-
Investments in subsidiaries		(30 836)	(169 461)
Interest paid		(57 095)	(109 895)
Net cash used in investing activities		2 698	(301 196)
<u>Cash flows from financing activities</u>			
Proceeds from long-term loans		-	398 120
Payments of long-term loans		(111 161)	(244 337)
Net cash (used in) from financing activities		(111 161)	153 783
Net increase in cash and cash equivalents during the year		77 748	2 830
Cash and cash equivalents at beginning of the year		45 049	42 219
Cash and cash equivalents at end of the year	10	122 797	45 049

- The accompanying notes form an integral part of the financial statements.

Alexandria Portland Cement Company
S.A.E
Consolidated Statement of Changes in Shareholders' Equity
for the year ended December 31, 2005
(amounts expressed in thousand Egyptian pound)

	Issued and paid up capital	Legal reserve	General reserve	Retained earnings (accumulated loss)	Net profit for the year	Total
Balance as of December 31, 2003	120 000	26 953	52 699	9 850	(74 705)	134 797
Transfer to retained earnings	--	--	(43 668)	43 668	--	--
Transfer to retained earnings	--	--	--	(74 705)	74 705	--
Net profit for the year	--	--	--	--	97 828	97 828
Minority interest	--	--	--	--	(11 522)	(11 522)
Balance as of December 31, 2004	120 000	26 953	9 031	(21 187)	86 306	221 103
Transfer to retained earnings	--	--	--	86 306	(86 306)	--
Net profit for the year including tax benefit	--	--	--	--	194 718	194 718
Minority interest	--	--	--	--	(342)	(342)
Balance as of December 31, 2005	120 000	26 953	9 031	65 119	194 376	415 479

- The accompanying notes form an integral part of the financial statements.

Alexandria Portland Cement Company
S.A.E.
Notes to the consolidated financial statements
as of December 31, 2005

The Company

Alexandria Portland Cement Company (APCC) S.A.E. was incorporated by a Royal Decree dated December 7, 1948. The Company was then subject to the provisions of the subsequent laws governing the public sector companies. The Articles of Association of the Company were amended in accordance with the provisions of the General Public Business Sector Law no. 203 of 1991, when the Company was a subsidiary of the Holding Company for Chemical Industries.

The Company is listed on the Egyptian Stock Exchanges as an Egyptian joint stock company.

According to the privatization program of the General Public Business Sector Companies, encountered by the Egyptian government, the Company was privatized as a result of the transfer of ownership of 73.65% of its shares by Blue Circle Industries PLC as of January 24, 2000.

The extraordinary general assembly meeting of the Company held on February 1, 2000 has decided the conciliation of the Company statutes to comply with the companies' law no. 159 of 1981 and the Money Market Law no. 95 of 1992, and their executive regulations.

As of July 11, 2001, Lafarge, a Company registered in France, acquired Blue Circle Industries PLC.

As of May 26, 2002, Alexandria Development Co. Ltd. acquired 10 614 137 shares of Alexandria Portland Cement Company, representing 88.45% of the Company shares.

The consolidated financial statements include the assets, liabilities and results of operations of Alexandria Portland Cement Company S.A.E. and its subsidiary Blue Circle Cement Egypt Company S.A.E., which is controlled by the Company.

On December 16, 2002, the Company has acquired 50% of the outstanding shares of 4M Titan Silos LLC representing 27 700 shares at EGP 1.5 million.

The financial statements of 4M / Titan Silos LLC are not included in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to the end of the month of the reporting period. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess (deficiency) of the cost of acquisition over (below) the fair values of the identifiable net assets acquired is recognized as goodwill (negative goodwill). The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognized.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other subsidiaries of the Company.

All significant intercompany transactions and balances between subsidiaries of the Company are eliminated on consolidation.

Investment percentage in the affiliated company is as follows:

	<u>Investment percentage</u>
Blue Circle Cement Egypt Company S.A.E	99.68%

Purpose of the Company

The purpose of the Company is the manufacture and the trade of all kinds of cement, gypsum, bricks, tiles, limestone and concrete. In addition to all materials and products related to the cement production and bricks and building materials in general, either manufactured by the company or jointly with others, and the marketing of these products in Egypt and for export and import purposes.

1.

Significant accounting policies

a- Principles of consolidation

The consolidated financial statements are prepared according to the purchase method.

Consolidated financial statements are prepared according to the International Accounting Standards and the Titan Cement Company Group accounting policies, and are not the statutory financial statements of the Company.

b- Foreign currency transactions

The Company's functional and reporting currency is the Egyptian pound. Transactions denominated in foreign currencies are translated to Egyptian pound during the year at the rates prevailing at the date of transactions. At year end, assets and liabilities denominated in foreign currencies are translated to Egyptian pound at free market rates ruling on the financial statements date. The resulting differences are charged to the income statement.

c- Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. The initial cost of property, plant and equipment comprise its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major inspection overhaull expenditures are capitalized and included in the cost.

Depreciation is calculated on a straight-line basis according to the following estimated rates per annum:

Buildings, utilities and internal roads	4-5%
Plant, machinery and equipment	5-7%
Vehicles	14-20%
Tools and equipment	5 - 20%
Furniture, office equipment and computer hardware	10-20%

d-

Advance payments for capital expenditures

Properties in the course of construction for production or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs are capitalized in accordance with the Company accounting policy.

e- Intangible assets

Intangible assets are accounted for at acquisition cost. After initial recognition, intangible assets are accounted for at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

▪ Corporate systems

Corporate systems cost is amortized over 5 years.

▪ Exploration Expense

Exploration expense is amortized over quarries useful life.

f- Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Company's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognised as an asset and is not amortized but is reviewed for impairment.

Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

g- Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

h- Inventories

- **Finished products**

Stated at the lower of cost of production or net realizable value, according to cost sheets.

- **Work in process**

Work in process produced by the Company:

Stated at the production cost incurred until the last stage of production reached.

Work in process purchased

Stated at the cost of purchase or net realizable value.

Work in process extracted from quarries

Stated at cost of wages, transportation and other related costs.

- **Raw materials and spare parts**

Stated at cost or net realizable value. The cost is determined according to the moving average method.

The cost of finished products and work in process comprise: raw materials, direct labor, other direct costs and related production overheads.

i- Long-term investments

Long-term investments are carried at cost less a provision for any decline in value, other than temporary. Provisions are determined for each investment individually.

j- Revenue recognition

Sales revenue is recognized, net of sales taxes and discounts, upon delivery of products and customer acceptance and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Other revenues earned are recognized on accrual basis.

k- Taxation

Taxation is provided for in accordance with the Egyptian income tax law.

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

l- Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term receivables, borrowings and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in these notes. Financial instruments are classified as assets or liabilities in accordance with the substance of the contractual arrangement. Therefore interest, dividends, gains and losses relating to these financial instruments classified as an asset or a liability are reported as expense or income. Financial instruments are offset when the company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Company's activities are exposed to a variety of financial risks, including the effects of: foreign exchange risk, interest rates risk, credit risk and liquidity risk. The Company's overall risk management program seeks to minimize the potential adverse effects of these risks on the financial performance of the Company.

m- Impairment of fixed assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

n- Legal reserve

According to the Company's statutes and bylaws, 5% of the net profit for the year is appropriated to form the legal reserve, and according to the Egyptian Companies Law no. 159 for the year 1981, this legal reserve can only be used in covering the Company's losses and in increasing the Company's capital.

o- Provisions

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

balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

p- Use of estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

q- Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

r- Cash flow statement

The consolidated cash flow statement is prepared applying the indirect method.

2.

Property, plant and equipment

The net book value of property, plant and equipment amounted to KEGP 682 411 as of December 31, 2005 and is analyzed as follows:

Description	Land	Building and other utilities	Machinery and equipment	Vehicles	Tools	Furniture and computer equipment	Total
	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>
Cost							
As of 31.12.2004	10,647	164,537	680,646	36,610	7,453	9,702	909,595
Additions	-	693	467	1,349		394	2,903
Disposals	-	(490)	(6,923)	(868)	(1,384)	(910)	(10,575)
Transfers	-	7,817	(7,817)	-	-	-	-
As of 31.12.2005	10,647	172,557	666,373	37,091	6,069	9,186	901,923
Depreciation							
As of 31.12.2004	-	28,882	109,748	31,470	6,060	4,472	180,632
Charge for year	-	7,895	35,481	2,147	564	1,116	47,203
On Disposals	-	(347)	(5,005)	(767)	(1,371)	(833)	(8,323)
On Transfer	-	1,590	(1,590)	-	-	-	-
As of 31.12.2005	-	38,020	138,634	32,850	5,253	4,755	219,512
Net book value							
As of 31.12.2005	10,647	134,537	527,739	4,241	816	4,431	682,411
As of 31.12.2004	10,647	135,655	570,898	5,140	1,393	5,230	728,963

3. Advance payments for capital expenditures

	Construction	Machinery	Furnitures	Vehicles	Tools	L/C	Intangible	Total
	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>
Balance as December 31, 2004	955	1 001	1 934	-	-	1 259	930	6 079
Additions	11 173	4 839	1 555	1 524	50	166	2 746	22 053
Transfers to fixed assets	(694)	(466)	(431)	(1348)	-	-	-	(2939)
Balance as December 31, 2005	11 434	5 374	3 058	176	50	1 425	3 676	25 193

4.

Long term investments

The long term investments amounted to KEGP 32,696 as of December 31, 2005 and are analyzed as follows:

	<u>Percentage</u>	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
ASEC	10.33%	-	1,658
Governmental bonds	-	360	360
4M/Titan silos LLC	50%	1,500	1,500
Bani Suif cement company	5%	30,836	-
		<u>32,696</u>	<u>3,518</u>

During 2005 the company acquired 5% of Beni Suef Cement Company's outstanding shares (affiliated company) with total cost KEGP 30,836.

5. Intangible assets

The net book value of intangible assets amounted to KEGP 2, 480 as of December 31, 2005 and is analyzed as follows:

	<u>Corporate</u> <u>system</u> <u>KEGP</u>
<u>Cost</u>	
As of 31.12.2004	3249
Additions	37
As of 31.12.2005	<u>3,286</u>
<u>Accumulated amortization</u>	
As of 31.12.2004	279
Charge for the year	527
As of 31.12.2005	<u>806</u>
<u>Net book value</u>	
As of 31.12.2005	<u><u>2,480</u></u>
As of 31.12.2004	<u><u>2,970</u></u>

6.

Other long-term assets

The long term assets balance amounted to KEGP 35 500 as of December 31, 2005 comprise the goodwill resulting from the acquisition of 1 960 000 shares, that represents 49% of the total shares of Blue Circle Cement Egypt Company at KEGP 169 211. The acquisition that took place on January 29, 2004 has resulted in an excess purchase amount of EGP 35 500 over the carrying amount of net assets acquired at the date of the transaction.

7. Inventories

Inventories balance amounted to KEGP 109 284 as of December 31, 2005 and is analyzed as follows:

	<u>31.12.2005</u>	<u>31.12.2004</u>
	<u>KEGP</u>	<u>KEGP</u>
	-	
Raw Materials	9,990	5,478
Fuel	101	1,071
Spare Parts	80,747	70,891
Packing Materials	3,104	2,294
Goods Under Inspection	9,713	0
Supplies	0	3,043
Work in Process	4,884	5,084
Scrap	57	57
Finished Product	503	577
Goods in Transit	185	0
	<u>109,284</u>	<u>88,495</u>

The following table represents analysis of the provision for obsolete stock, as of December 31, 2005:

	<u>31.12.2005</u>	<u>31.12.2004</u>
	<u>KEGP</u>	<u>KEGP</u>
Spare parts provision	<u>31,345</u>	<u>18,129</u>
	<u>31,345</u>	<u>18,129</u>

8.

Due from affiliates

Due from affiliates balance amounted to KEGP 11 272 as of December 31, 2005 and is analyzed as follows:

	<u>31.12.2005</u>	<u>31.12.2004</u>
	<u>KEGP</u>	<u>KEGP</u>
Beni Suef Cement Co.	6,590	4,140
4M Titan Silos	4,513	4,517
ADL	169	-
	<u>11,272</u>	<u>8,657</u>

9. Other current assets

Other current assets balance amounted to KEGP 31 550 as of December 31, 2005 and is analyzed as follows:

	<u>31.12.2005</u>	<u>31.12.2004</u>
	<u>KEGP</u>	<u>KEGP</u>
Letters of credit	1,066	7,839
Advances to customs authority	631	1,321
Sales tax authority	1,295	644
Amounts due from tax authority	16,731	14,347
Accrued interest on time deposits	704	1,009
Deposits held with others	3,578	2,666
Prepaid expenses	3,437	1,642
Imprest fund	1,730	383
Others	2,378	2,210
	<u>31,550</u>	<u>32,061</u>

The balance of deposits held with others includes an amount of KEGP 802 which represents value of letter of guarantee maintained with 100% coverage.

Other current assets provision is analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Doubtful debts	281	649
	<u>281</u>	<u>649</u>

10. Placements with banks

The placements with banks amounted to KEGP 107 735 as of December 31, 2005 and represent deposits at banks for periods exceeding three months and comprise:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Cairo Barclays	750	-
Bank of Alexandria – EGP	17,382	5,382
Bank of Alexandria – USD	1,047	1,097
Suez Canal Bank EGP	1,831	1,831
CITI Bank - EGP	663	291
National Bank of Egypt - USD	5	1
HSBC – EGP	25,965	3,000
HSBC - USD	8,782	20,737
CITI Bank - USD	310	-
National Bank of Egypt - EGP	51,000	-
	<u>107,735</u>	<u>32,339</u>

- **Bank of Alexandria**

The time deposits held with Bank of Alexandria include an amount of KEGP 5,337 which represents time deposits blocked against issued letters of guarantee in order to cover deferred sales tax installments on capital goods and litigations amounted to KEGP 187.

- **Suez Canal Bank**

The time deposits held with Suez Canal Bank are blocked against letters of guarantee.

11. Cash and cash equivalents

The cash in hand and at banks balance amounted to KEGP 15 071 as of December 31, 2005 and comprise:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Bank current accounts	15,008	15,885
Cash in hand	63	63
	<u>15,071</u>	<u>15,948</u>

The cash and cash equivalents balance shown in the cash flow statement amounted to KEGP 122 797 as of December 31, 2005 and comprise:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Cash in hand and at banks	15,071	15,948
Placements with banks	107,735	32,339
	122,806	48,287
Bank overdraft	(9)	(3,238)
	<u>122,797</u>	<u>45,049</u>

12. Borrowings

Loans amounted to KEGP 469 848 as of December 31, 2005. An amount of KEGP 36 948 is classified as a current liability.

The following table represents analysis for outstanding balances of loans obtained, initial amount and terms of payment:

(Amounts expressed in KEGP)						
<u>Lender</u>	<u>Borrowing</u> <u>currency</u>	<u>Loan</u> <u>principal</u> <u>amount</u>	<u>Outstanding</u> <u>balance at</u> <u>31.12.2004</u>	<u>Outstanding</u> <u>balance at</u> <u>31.12.2005</u>	<u>Short-term</u> <u>portion</u>	<u>Long-term</u> <u>portion</u>
		<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>	<u>EGP</u>
Blue Circle Overseas	EGP	396 442	7 058	-	-	-
Bank of Alexandria	EGP	49 999	16 666	-	-	-
NSGB - first loan	EGP	56 000	47 385	36 615	8 615	28 000
CIB	EGP	125 000	125 000	125 000	-	125 000
HSBC - First Loan	EGP	85 000	85 000	85 000	-	85 000
NSGB - second loan	EGP	80 000	80 000	80 000	-	80 000
HSBC - second loan	EGP	45 000	45 000	45 000	5 000	40 000
Cairo Barclays	EGP	39 900	39 900	39 900	-	39 900
HSBC - BCCE	EGP	70 000	70 000	58 333	23 333	35 000
			<u>516 009</u>	<u>469 848</u>	<u>36 948</u>	<u>432 900</u>

NSGB - first loan

- The company shall repay the loan in equal 17 quarterly consecutive installments commencing on April 2006.

CIB - first loan

- On September 2005 the company entered into a term loan agreement with Commercial International Bank - CIB – Egypt. CIB undertakes to lend the company an amount of KEGP 125,000 in order to refinance shareholders loans.
- The loan term is ten year starting from March 31, 2008 and ending on September 30, 2012.

HSBC - first loan

- On August 22, 2005 the company entered into term loan agreement with HSBC. HSBC undertakes to lend the company an amount of KEGP 85,000 (eighty five million Egyptian pound) in order to refinance shareholders loans.

Cairo Barclays

- On June 2, 2005 the company entered into a long-term loan agreement with Cairo Barclays Bank. Cairo Barclays Bank undertakes to lend the company an amount of KEGP 39,900 (forty million Egyptian pound) in order to refinance shareholders loans.
- The loan term is five years starting from August 6, 2007 and ending on March 6, 2012.

NSGB - second loan

- On November 28, 2004 the company entered into long-term loan agreement with HSBC – Egypt. HSBC undertakes to lend the company an amount of KEGP 80,000 (eighty million Egyptian pound) in order to refinance shareholders loans.
- The company shall repay the loan in ten equal semi-annual consecutive installments commencing on May 30, 2007 and ending on November 11, 2011.

HSBC - second loan

- On November 30, 2004 the company entered into medium-term loan agreement with HSBC – Egypt. HSBC undertakes to lend the company an amount of KEGP 45,000 (forty five million Egyptian pound) in order to refinance shareholders loans.
- The company shall repay the loan in nine equal semi-annual consecutive installments commencing after 24 month from disbursement date (December 1, 2006).

13. Provisions

Provision balances amounted to KEGP 21 990 as of December 31, 2005 and is analyzed as follows:

Description	Balance as of	Provision formed	Provision reversed	Provision utilized	Balance as of
	December 31, 2004				December 31, 2005
	<u>EGP 000'</u>	<u>EGP 000'</u>	<u>EGP 000'</u>	<u>EGP 000'</u>	<u>EGP 000'</u>
Legal claims	3,828	-	(800)	(54)	2,974
Employees due vacation	1,028	82	(392)	-	718
Restructuring provision	1,843	1,099	(68)	(1,775)	1,099
Contingencies	552	-	-	-	552
Rehabilitation	752	-	-	-	752
Demolition provision	1,000	-	(1,000)	-	-
Tax provision	9,500	11,000	(4,002)	(1,149)	15,349
Others	546	-	-	-	546
Total	19,049	12,181	-6,262	-2,978	21,990

14. Bank overdrafts

The bank overdrafts balance amounted to KEGP 9 as of December 31, 2005, analyzed as follows:

	<u>31.12.2005</u>	<u>31.12.2004</u>
	<u>KEGP</u>	<u>KEGP</u>
Bank of Alexandria – EGP	9	3,223
Bank Du Caire-EGP	-	15
	<u>9</u>	<u>3,238</u>

15. Other current liabilities

The other current liabilities balance amounted to KEGP 52 830 as of December 31, 2005 and is analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Deposits from others	-	1,371
Sales tax installments on capital goods	2,913	6,320
Sales tax	1,728	961
Tax authority	4,672	9,376
Dividends payable	3,304	4,092
Fixed assets supplies	14,586	-
Others	25,627	13,926
	<u>52,830</u>	<u>36,046</u>

16. Accrued expenses

The accrued expenses amounted to KEGP 23 694 as of December 31, 2005 and is analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Employee incentive bonus	-	458
Accrued management expenses	7,594	14,372
Technical assistance	1,630	1,068
Accrued salaries	-	393
Accrued interest	11,137	7,056
Blue Circle Technical services (BCTS)	-	1,190
Blue Circle Industries U.K (BCI)	-	10,443
Due to related parties	3,126	2,330
Others	207	-
	<u>23,694</u>	<u>37,310</u>

17. Due to affiliates

Due to affiliates balance amounted to KEGP 5 701 as of December 31, 2005 and is analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Beni Suef Cement Company C\A	5,700	8,183
4M Titan Silos	-	211
	<u>5,700</u>	<u>8,394</u>

18. Capital

The authorized capital of the Company amounted to EGP 200 million, and the issued and fully paid up capital amounted to EGP 120 million divided among 12 million nominal shares of EGP 10 par value each, of which 10 million shares are in cash and 2 million shares were distributed as stock dividends.

19. Reserves

Following is an analysis of the reserves balance as of December 31, 2005:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Legal reserve	26,953	26,953
General reserve	9,031	9,031
	<u>35,984</u>	<u>35,984</u>

20. Minority interest

The minority interest amounted to KEGP 1,974 as of December 31, 2005, which represents 0.3125 % of Blue Circle Cement Egypt S.A.E (BCCE) issued shares:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Minority interest share in BCCE capital	1250	1,250
Minority interest share in BCCE retained earnings	382	139
Minority interest share in BCCE profit	342	310
	<u>1,974</u>	<u>1,699</u>

21. Sales revenue

The sales revenue for the year ended December 31, 2005 amounted to KEGP 409 682 analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Cement Sales (domestic)	381,314	301,382
Cement sales (export)	7,883	11,573
Rendered services	977	973
Clinker sales	3,067	2,221
Clinker sales (Export)	16,441	35,241
	<u>409,682</u>	<u>351,390</u>

22. Cost of sales

The cost of sales for the year ended December 31, 2005 amounted to KEGP 224 865 analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Salaries and wages	16,755	14,587
Management fees	-	6
Energy cost	51,474	47,457
Materials cost	61,990	52,023
Depreciation	46,549	47,322
Maintenance	11,828	8,301
Other fixed cost	20,939	16,420
Spare parts	9,140	8,977
Transportation services	5,097	4,543
Change in inventories	286	4,585
Insurance and taxes	1,807	1,637
	<u>225,865</u>	<u>205,858</u>

23. Administrative expenses

Administration expenses amounted to KEGP 13 325 for the year ended December 31, 2005 analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Salaries	3,516	6,124
Depreciation	1,186	583
Transportation	799	304
Training	174	246
Maintenance and rental expenses	344	544
Management fees	1,576	1,651
Others	5,730	1,451
	<u>13,325</u>	<u>10,903</u>

24. Other income

Other income amounted to KEGP 168 for the year ended December 31, 2005 analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Scrap sales	43	454
Miscellaneous	125	1,526
Accrued interest waived	-	46,712
	<u>168</u>	<u>48,692</u>

25. Tax position

Corporate income tax

The Company is presenting the annual tax returns on the statutory due dates.

For the years up to December 31, 2001, the company books were inspected and the taxes settled until December 31, 2001, according to the internal committee decree. Certain items were not resolved at the internal committee and will be further resolved at the committee of appeal.

The tax authority has not yet inspected the years 2002 and 2003.

Salary tax

The Company timely pays to the tax authority salaries tax withheld from its employees.

The salary taxes were inspected and taxes paid up to December 31, 1998 and the tax was settled.

The years from 1999 until 2002 were inspected, and the company received a tax claim for EGP 4 098 000 and has been paid by the company.

Sales tax

The Company pays the sales taxes collected from the customers for the sales of cement and freight on the due dates. The sales tax authority inspected the Company books until December 31, 2002, and taxes due were paid.

26. Related Party Transactions

Transactions with related parties during the year ended December 31, 2005 comprise:

(Amounts expressed in thousands Egyptian Pounds)

Company	Debit	Credit	Description of transactions
Beni Suef Cement Company S.A.E	6,590	5,700	Transactions during the period comprise value of sold clinker to Beni Suef Cement Company and payable balance which represented in commission payable to Beni Suef Cement Company for guarantee service.
Blue Circle Technical services (BCTC)		1,630	This credit balance represents accrued technical services fees and equivalent to KGBP 83.
Lafarge S.A.	17	1,823	The credit balance represents accrued technical support expenses provided by Lafarge S.A. as of June 30, 2005
Lafarge FLAF		458	This balance represents commission payable to Lafarge S.A. for the guarantee service.
Lafarge Titan Egypt	232		This balance represents current account between both companies.
Blue Circle Industries (UK)		7,594	The credit balance represents accrued Management fees due to BCI.
ADL	169	-	This balance represents current account between both companies.
4M Titan	4513	-	This balance represents current account between both companies.
Marin	-	48	This balance represents current account between both companies.

27. Earning per share

The basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Net profit for year	194,376	86,306
<u>Divided by:</u>		
Number of shares outstanding	12,000	12,000
Earning per share	<u><u>16</u></u>	<u><u>7</u></u>

28. Income taxes

The provision for income taxes consists of the following:

	<u>31.12.2005</u> <u>KEGP</u>
Current income tax	-
Deferred tax asset	367
	<u><u>367</u></u>

29. Financial instruments - fair value and risk management

The financial instruments are represented in balances of cash in hand and at banks, debtors, creditors, loans and bank overdrafts. The carrying amounts of these financial instruments represent a reasonable estimate for their fair values.

Management of financial risks

▪ **Foreign currency risk**

The foreign currency risk is represented by the changes in exchange rates and in order to mitigate this risk, the company's policy is to make its borrowings in local currency.

30. These financial statements are prepared in accordance with the accounting policies of Titan Cement Company, parent Company in Greece, and are not the statutory financial statements of the Company.

31. Comparative figures

The comparative figures have been reclassified to comply with this period presentation.