

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
**(ACCORDING TO INTERNATIONAL FINANCIAL**  
**REPORTING STANDARDS AND TITAN CEMENT COMPANY**  
**GROUP ACCOUNTING POLICIES)**  
**TOGETHER WITH AUDITORS' REPORT**  
**AS OF DECEMBER 31, 2006**

**INDEPENDENT AUDITORS' REPORT**

**TO TITAN CEMENT COMPANY S.A., PARENT COMPANY  
OF ALEXANDRIA PORTLAND CEMENT COMPANY S.A.E**

We have audited the accompanying consolidated financial statements of Alexandria Portland Cement Company, which comprise of the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. These consolidated 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.

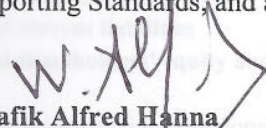
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Alexandria Portland Cement Company and its subsidiary as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and accounting policies of Titan Cement Company.



**Wafik Alfred Hanna**  
CPA - FESAA  
Deloitte Saleh, Barsoum & Abdel Aziz.  
January 29, 2007



Khalid Badawy  
Chief Executive Officer

**Alexandria Portland Cement Company**  
**S.A.E**  
**Consolidated Income Statement**  
**for the year ended December 31, 2006**  
(amounts expressed in thousand Egyptian pound)

	<u>Note</u>	<u>Year ended</u> <u>December 31,</u> <u>2006</u>	<u>Year ended</u> <u>December 31,</u> <u>2005</u>
Sales, net	(1L,20)	493 402	409 682
Cost of sales	(21)	( 248 958)	( 225 867)
<b>Gross profit</b>		<b>244 444</b>	<b>183 815</b>
Distributions expenses		--	( 4 064)
General & Administrative expenses	(22)	( 16 088)	( 13 856)
<b>Operating profit</b>		<b>228 356</b>	<b>165 895</b>
Finance expenses		( 44 665)	( 61 176)
Finance income		7 387	3 708
Investment income		--	105 063
Foreign exchange gain (loss)	(1d)	( 1 098)	1 107
Provisions		( 3 587)	( 18 341)
Other income	(23)	4 040	168
Capital gain		--	82
Impairment loss	(1o)	--	( 2 155)
Employees profit share		( 2 226)	--
<b>Net profit for the year before minority interest</b>		<b>188 207</b>	<b>194 351</b>
Minority interest in results of the year		( 658)	( 342)
<b>Net profit for the year after minority interest and before taxes</b>		<b>187 549</b>	<b>194 009</b>
Deferred tax revenue	(1n)	1 287	367
<b>Net profit for the year</b>		<b>188 836</b>	<b>194 376</b>

- 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, 2006**  
(amounts expressed in thousand Egyptian pound)

	<u>Note</u>	<u>December 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
<b><u>Assets</u></b>			
<b><u>Non-current assets</u></b>			
Property, plant and equipment, net	(1e,2)	644 884	682 411
Intangible assets, net	(1g,3)	1 714	2 480
Construction in progress	(1f,4)	42 768	25 193
Other long term assets	(1h5)	35 500	35 500
Long term investments	(1j,6)	32 696	32 696
Deferred tax assets	(1n)	1 654	367
<b>Total non-current assets</b>		<b><u>759 216</u></b>	<b><u>778 647</u></b>
<b><u>Current assets</u></b>			
Inventories	(1i,7)	114 589	77 262
Due from affiliates	(8,24)	11 803	11 520
Trade receivable		196	194
Other current assets	(9)	34 551	30 626
Placements with banks	(10)	207 919	107 735
Cash and cash equivalents	(11)	7 367	15 071
<b>Total current assets</b>		<b><u>376 425</u></b>	<b><u>242 408</u></b>
<b>Total assets</b>		<b><u>1 135 641</u></b>	<b><u>1 021 055</u></b>
<b><u>Shareholders' equity and liabilities</u></b>			
<b><u>Shareholders' equity</u></b>			
Share capital	(12)	120 000	120 000
Legal reserve	(1v,13)	31 297	26 953
General reserve	(13)	9 031	9 031
Retained earning		243 358	65 119
Net profit for the year		188 836	194 376
<b>Total shareholders' equity before minority interest</b>		<b><u>592 522</u></b>	<b><u>415 479</u></b>
Minority Interest	(14)	2 609	1 974
<b>Total shareholders' equity</b>		<b><u>595 131</u></b>	<b><u>417 453</u></b>
<b><u>Non-current liabilities</u></b>			
Borrowings	(15)	359 295	432 900
Sales tax installments-long term		2 488	2 630
<b>Total non-current liabilities</b>		<b><u>361 783</u></b>	<b><u>435 530</u></b>
<b><u>Current liabilities</u></b>			
Banks overdraft	(11)	5 939	--
Due to affiliates	(16,24)	21 538	17 385
Accounts payable		11 209	16 877
Customers' advance payments		14 082	11 096
Other current liabilities	(17)	55 985	52 432
Accrued expenses	(18)	8 227	11 344
Provisions, others	(1u,19)	23 142	21 990
Borrowings-short term portion	(15)	38 605	36 948
<b>Total current liabilities</b>		<b><u>178 727</u></b>	<b><u>168 072</u></b>
<b>Total shareholders' equity and liabilities</b>		<b><u>1 135 641</u></b>	<b><u>1 021 055</u></b>

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

**Khaled Sabry**  
**Chief Financial Officer**

**Khaled Badawy**  
**Chief Executive Officer**

- Auditors' report attached.

**Alexandria Portland Cement Company**  
**S.A.E**  
**Consolidated Financial Statements**  
**Cash Flow Statement**  
**for the year ended December 31, 2006**  
(amounts expressed in Egyptian pound)

	<u>Note</u>	<u>Year ended</u> <u>December 31,</u> <u>2006</u>	<u>Year ended</u> <u>December 31,</u> <u>2005</u>
<b><u>Cash flows from operating activities</u></b>			
Net profit for the year before tax		187 549	194 009
<b><u>Adjustments to reconcile net profit with cash flows from operating activities</u></b>			
Depreciation & amortization		47 648	47 730
Interest expense		44 665	61 176
Provisions formed		7 042	6 671
Provision reversed		( 1 940)	--
provisions utilized		( 3 662)	--
Minority interest		658	342
Interest income		( 7 387)	( 3 708)
Foreign exchange gain		--	( 1 107)
Capital Gains		--	( 83)
Fixed assets impairment		--	2 157
Investment income		--	( 105 063)
<b>Operating profit before working capital changes</b>		<b><u>274 573</u></b>	<b><u>202 124</u></b>
Increase in inventory		( 37 673)	( 7 572)
(Increase) Decrease in other debit balances		( 3 023)	10 310
Increase in due from affiliates		( 283)	( 2 615)
Decrease in other credit balances		( 10 980)	( 13 333)
Increase (Decrease) in due to affiliates		15 838	( 2 694)
Interest Paid		( 47 758)	( 57 095)
<b>Net cash from operating activities</b>		<b><u>190 694</u></b>	<b><u>129 125</u></b>
<b><u>Cash flows from investing activities</u></b>			
Acquiring fixed assets and other long term assets		( 26 930)	( 19 683)
Interest received		6 518	3 583
Proceeds from sales of investment		--	106 729
Investments in subsidiaries		--	( 30 836)
<b>Net cash (used in) from investing activities</b>		<b><u>( 20 412)</u></b>	<b><u>59 793</u></b>
<b><u>Cash flows from financing activities</u></b>			
Dividends paid		( 11 793)	--
Payments of long-term loans		( 71 948)	( 111 161)
<b>Net cash used in financing activities</b>		<b><u>( 83 741)</u></b>	<b><u>( 111 161)</u></b>
Net increase in cash and cash equivalents during the year		86 541	77 757
Cash and cash equivalents at beginning of the year		122 806	45 049
<b>Cash and cash equivalents at end of the year</b>	(11)	<b><u>209 347</u></b>	<b><u>122 806</u></b>

- 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, 2006**

(amounts expressed in thousand Egyptian pound)

	Issued and paid up capital	Legal reserve	General reserve	Retained earnings (accumulated Loss)	Net profit for the year	Shareholders' equity before minority interest	Minority Interest	Total shareholders' equity
Balance as of December 31, 2004	120 000	26 953	9 031	( 21 187)	86 306	<b>221 103</b>	1 699	222 802
Transfer to retained earnings	--	--	--	86 306	( 86 306)	--	--	--
Net profit before minority interest	--	--	--	--	194 718	<b>194 718</b>	--	194 718
Minority interest	--	--	--	--	( 342)	( 342)	342	--
Minority Interests' Share in retained earnings	--	--	--	--	--	--	( 67)	( 67)
<b>Balance as of December 31, 2005</b>	<b>120 000</b>	<b>26 953</b>	<b>9 031</b>	<b>65 119</b>	<b>194 376</b>	<b>415 479</b>	<b>1 974</b>	<b>417 453</b>
Transfer to retained earnings	--	--	--	194 376	( 194 376)	--	--	--
Legal reserve	--	4 344	--	( 4 344)	--	--	--	--
Dividends	--	--	--	( 11 793)	--	( 11 793)	--	( 11 793)
Net profit before minority interest	--	--	--	--	188 836	<b>188 836</b>	--	188 836
Minority interest	--	--	--	--	--	--	658	658
Minority interests' share in retained earnings	--	--	--	--	--	--	( 23)	( 23)
<b>Balance as of December 31, 2006</b>	<b>120 000</b>	<b>31 297</b>	<b>9 031</b>	<b>243 358</b>	<b>188 836</b>	<b>592 522</b>	<b>2 609</b>	<b>595 131</b>

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

## 1. Significant accounting policies

### a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and the Titan Cement Company Group accounting policies, and are not the statutory financial statements of the Company.

### b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below.

### c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year 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 their accounting policies into line with those used by other members of the Group.

All significant inter-company transactions, balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investment percentage in the affiliated company is as follows:

	<u>Investment</u> <u>percentage</u>
Blue Circle Cement Egypt Company S.A.E.	99.6875%

### d. 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 other currencies are translated to Egyptian pound at free market rates ruling on the financial statements date. Resulting differences are charged to the income statement.

**e. 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 comprises 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 overhaul expenditures are capitalized and included in the cost.

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

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%

**f. Construction in progress**

Assets in the course of construction represent plant and properties under construction and are stated at cost. These include costs of construction, plant and equipment and other direct costs. They are not depreciated until such time as the relevant assets are completed and put into operational use.

**g. 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.

**h. 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 recognized 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 as othe long term assets.

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.



**i. Inventories**

The inventories are stated at year-end as follows:

**1. Finished products**

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

**2. 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 lower cost of purchase or net realizable value.

• **Work in process extracted from quarries**

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

**3. Raw materials and spare parts**

Stated at lower of cost or net realizable value. The cost is determined applying 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.

**j. Long-term investments**

Long-term investment in affiliated companies is stated at cost. When there is a decline, other than temporary, in the value of a long-term investment, the carrying amount is reduced to recognize the decline.

**k. Short-term investments**

Short-term investments are stated at market value. At year-end increases or decreases in carrying amount are recognized in the income statement.

**l. Revenue recognition**

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Other revenues are recognized on accrual basis.

**m. 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.

**n. 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.

**o. Impairment of tangible and intangible 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.

**p. 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.

**q. Retirement benefit costs**

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

**r. Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at 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 company has a detailed formal plan for the restructuring that has been communicated to affected parties.

**s. 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.

**t. Cash and cash equivalents**

Cash and cash equivalents include cash on hand, current accounts with banks, short-term deposits with an original maturity of three months or less.

**u. Provision for staff indemnity**

Provision is made for amounts payable to employees under the Egyptian Labor Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of due vacation unpaid on the balance sheet date.

**v. 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. The legal reserve can only be used in covering the company's losses and in increasing the Company's capital.

**w. 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.

**x. Cash flow statement**

The cash flow statement is prepared applying the indirect method for the purpose of preparing the cash flow, the cash and the cash equivalents represent cash on hand and at banks and placement with banks less bank overdraft balance.

## 2. Property, plant and equipment

The net book value of property, plant and equipment amounted to KEGP 644,884 as of December 31, 2006 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>
<b><u>Cost</u></b>							
As of 31.12.2005	10,647	172,557	666,373	37,091	6,069	9,186	901,923
Additions	--	3,450	4,438	427	135	887	9,337
<b>As of 31.12.2006</b>	<b>10,647</b>	<b>176,007</b>	<b>670,811</b>	<b>37,518</b>	<b>6,204</b>	<b>10,073</b>	<b>911,260</b>
<b><u>Depreciation</u></b>							
As of 31.12.2005	--	38,020	138,634	32,850	5,253	4,755	219,512
Charge for the year	--	8,574	35,180	1,664	492	954	46,864
<b>As of 31.12.2006</b>	<b>--</b>	<b>46,594</b>	<b>173,814</b>	<b>34,514</b>	<b>5,745</b>	<b>5,709</b>	<b>266,376</b>
<b><u>Net book value</u></b>							
<b>As of 31.12.2006</b>	<b>10,647</b>	<b>129,413</b>	<b>496,997</b>	<b>3,004</b>	<b>459</b>	<b>4,364</b>	<b>644,884</b>
<b>As of 31.12.2005</b>	<b>10,647</b>	<b>134,537</b>	<b>527,739</b>	<b>4,241</b>	<b>816</b>	<b>4,431</b>	<b>682,411</b>

## 3. Intangible assets

The net book value of intangible assets amounted to KEGP 1,714 as of December 31, 2006 and is analyzed as follows:

	<u>Corporate system KEGP</u>
<b><u>Cost</u></b>	
As of 31.12.2005	3,286
Additions	18
<b>As of 31.12.2006</b>	<b>3,304</b>
<b><u>Accumulated amortization</u></b>	
As of 31.12.2005	806
Charge for the year	784
<b>As of 31.12.2006</b>	<b>1590</b>
<b><u>Net book value</u></b>	
<b>As of 31.12.2006</b>	<b>1,714</b>
<b>Net book value as of 31.12.2005</b>	<b>2,480</b>

#### 4. Construction in progress

Construction in progress balance amounted to KEGP 42,768 as of December 31, 2006 and are analyzed as follows:

	<u>Construction</u> <u>KEGP</u>	<u>Machinery</u> <u>KEGP</u>	<u>Furnitures</u> <u>KEGP</u>	<u>Vehicles</u> <u>KEGP</u>	<u>Tools</u> <u>KEGP</u>	<u>L/C</u> <u>KEGP</u>	<u>Intangible</u> <u>KEGP</u>	<u>Total</u> <u>KEGP</u>
Balance as December 31, 2005	11,436	5,373	3,060	175	47	1,426	3,676	25,193
Additions	13,425	12,506	216	252	134	--	394	26,927
Transfers to fixed assets	(3,448)	(3,012)	(887)	(427)	(134)	(1,426)	(18)	(9,352)
<b>Balance as December 31, 2006</b>	<b>21,413</b>	<b>14,867</b>	<b>2,389</b>	<b>--</b>	<b>47</b>	<b>--</b>	<b>4,052</b>	<b>42,768</b>

#### 5. Other long-term assets

The long term assets balance amounted to KEGP 35,500 as of December 31, 2006 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.

#### 6. Long term investments

The long term investments amounted to KEGP 32,696 as of December 31, 2006 and are analyzed as follows:

	<u>Percentage</u>	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
ASEC	10.33%	-	-
Governmental bonds	-	360	360
4M/Titan silos LLC	50%	1,500	1,500
Bani Suif cement company	5%	30,836	30,836
		<b>32,696</b>	<b>32,696</b>

## 7. Inventories

Inventories balance amounted to KEGP 114,589 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Raw Materials	8,767	9,990
Fuel	127	101
Spare Parts	98,254	80,747
Packing Materials	5,230	3,104
Goods Under Inspection	17,028	8,650
Work in Process	5,175	4,884
Scrap	57	57
Finished Product	3,132	503
Goods in Transit	8,510	571
<b>Total Inventories</b>	<b>146,280</b>	<b>108,607</b>
provision of obsolete and slow moving inventories	(31,691)	(31,345)
	<u><b>114,589</b></u>	<u><b>77,262</b></u>

## 8. Due from affiliates

Due from affiliates balance amounted to KEGP 11,803 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Beni Suef Cement Co.	7,368	6,590
4M Titan Silos	3,937	4,513
ADL	55	169
Lafarge S.A	17	17
BCTC	46	-
LTE	380	231
	<u><b>11,803</b></u>	<u><b>11,520</b></u>

## 9. Other current assets

Other current assets balance amounted to KEGP 34,551 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Letters of credit	-	1,066
Advances to customs authority	2,868	631
Sales tax authority	429	1,295
Amounts due from tax authority	15,428	16,731
Accrued interest on time deposits	1,573	704
Deposits held with others	4,123	3,578
Prepaid expenses	5,392	3,437
Due from employees	2,337	1,730
Others	2,624	1,735
<b>Total current assets</b>	<b>34,774</b>	<b>30,907</b>
Provision for other current assets	(223)	(281)
	<u><b>34,551</b></u>	<u><b>30,626</b></u>

## 10. Placements with banks

The placements with banks amounted to KEGP 207,919 as of December 31, 2006 and represent deposits at banks for years exceeding three months and comprise:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Cairo Barclays	750	750
Bank of Alexandria – EGP	21,382	17,382
Bank of Alexandria – USD	1,090	1,047
Suez Canal Bank EGP	1,831	1,831
CITI Bank - EGP	684	663
National Bank of Egypt - USD	5	5
HSBC – EGP	24,058	25,965
HSBC - USD	86,513	8,782
CITI Bank - USD	329	310
National Bank of Egypt - EGP	71,277	51,000
	<u><b>207,919</b></u>	<u><b>107,735</b></u>



- **Bank of Alexandria**

The time deposits held with Bank of Alexandria include an amount of KEGP 5,382 which represents time deposits blocked against issued letters of guarantee in order to cover deferred sales tax installments on capital goods and litigations .

- **Suez Canal Bank**

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

## **11. Cash and cash equivalent**

The cash in hand and at banks balance amounted to KEGP 7,367 as of December 31, 2006 and comprise:

	<b><u>31.12.2006</u></b>	<b><u>31.12.2005</u></b>
	<b><u>KEGP</u></b>	<b><u>KEGP</u></b>
Bank current accounts	7,304	15,008
Cash in hand	63	63
	<u>7,367</u>	<u>15,071</u>

The cash and cash equivalents balance shown in the cash flow statement amounted to KEGP 209,347 as of December 31, 2006 and comprise:

	<b><u>31.12.2006</u></b>	<b><u>31.12.2005</u></b>
	<b><u>KEGP</u></b>	<b><u>KEGP</u></b>
Placements with banks	207,919	107,735
Cash in hand and at banks	7,367	15,071
	<u>215,286</u>	<u>122,806</u>
Banks overdraft	(5 939)	--
	<u>209,347</u>	<u>122,806</u>

## **12. 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.

### 13. Reserves

Following is an analysis of the reserves balance as of December 31, 2006:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Legal reserve	31 297	26,953
General reserve	9 031	9,031
	<u>40,328</u>	<u>35,984</u>

### 14. Minority interest

The minority interest amounted to KEGP 2,609 as of December 31, 2006 which represents 0.3125 % of Blue Circle Cement Egypt S.A.E (BCCE) issued shares:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Minority interest share in BCCE capital	1,250	1,250
Minority interest share in BCCE retained earnings and reserves	701	382
Minority interest share in BCCE profit	658	342
	<u>2,609</u>	<u>1,974</u>

### 15. Borrowings

Borrowings amounted to KEGP 397,900 as of December 31, 2006 of which an amount of KEGP 38,605 is classified as a current liability and an amount of KEGP 359,295 is classified as non-current liability.

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

<b>(Amounts expressed in KEGP)</b>						
<u>Lender</u>	<u>Borrowing currency</u>	<u>Loan principal amount</u>	<u>Outstanding balance at 31.12.2005</u>	<u>Outstanding balance at 31.12.2006</u>	<u>Short-term portion</u>	<u>Long-term portion</u>
NSGB - first loan	EGP	<b>56,000</b>	36,615	28,000	8,615	19,385
CIB	EGP	<b>125,000</b>	125,000	125,000	--	125,000
HSBC	EGP	<b>85,000</b>	85,000	85,000	--	85,000
NSGB - second loan	EGP	<b>80,000</b>	80,000	80,000	16,000	64,000
HSBC - second loan	EGP	<b>45,000</b>	45,000	40,000	10,000	30,000
Cairo Barclays	EGP	<b>39,900</b>	39,900	39,900	3,990	35,910
HSBC	EGP	<b>70,000</b>	58,333	--	--	--
			<u>469 848</u>	<u>397 900</u>	<u>38 605</u>	<u>359 295</u>

### **NSGB - first loan**

The company shall settle the remaining balance of the loan in equal 15 quarterly consecutive installments .

### **CIB loan**

On September 2005 the company entered into a medium 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 five year starting from March 31, 2008 and ending on September 30, 2012.

### **HSBC loan**

On August 28, 2005 the company entered into medium 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.

The company shall repay the loan in ten equal semi-annual consecutive installments commencing on February 24, 2008 and ending on August 24, 2012.

### **NSGB - second loan**

On November 28, 2004 the company entered into long-term loan agreement with NSGB – Egypt. NSBC 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).

### **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 (Thirty nine million and nine hundred thousand 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.

## 19. Provisions, others

Provision balances amounted to KEGP 23,142 as of December 31, 2006 and is analyzed as follows:

Description	Balance as of	Formed	Utilized	Cancellation	Balance as of
	December 31, 2005				December 31, 2006
	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>
Legal claims	2,974	54	(42)	--	2,986
Employees due vacation	275	482	(71)	--	686
Employees bounus	955	1,701	(708)	(170)	1,778
Restructring provision	1,099	200	(492)	(102)	705
Rehabilitation	752	4	--	--	756
Real State tax	3,793	1,020	(2,174)	(1,520)	1,119
Corprate tax	3,200	800	--	--	4,000
Payroll tax	1,165	140	(174)	(53)	1,078
Regulatory provision	3,310	2,174	--	(37)	5,447
Stamp Tax Provision	--	20	--	--	20
Tax Provision	3,800	--	--	--	3,800
Others	667	100	--	--	767
<b>Total</b>	<b>21,990</b>	<b>6,695</b>	<b>(3,661)</b>	<b>(1,882)</b>	<b>23,142</b>

## 20. Sales, net

The sales revenue for the year ended December 31, 2006 amounted to KEGP 493,402 analyzed as follows:

	<u>31.12.2006</u>	<u>31.12.2005</u>
	<u>KEGP</u>	<u>KEGP</u>
Cement Sales (domestic)	492,113	381,314
Cement sales (export)	--	7,883
Rendered services	792	977
Clinker sales	497	3,067
Clinker sales (Export)	--	16,441
	<u>493,402</u>	<u>409,682</u>

## 16. Due to affiliates

Due to affiliates balance amounted to KEGP 21,538 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Beni Suef Cement Company C\A	18,474	5,700
4M Titan Silos	29	--
Lafarge S.A	1,333	1,823
Lafarge Flaf	727	638
BCTC	975	1,630
BCI		7,594
	<u>21,538</u>	<u>17,385</u>

## 17. Other current liabilities

The other current liabilities balance amounted to KEGP 55,985 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Sales tax installments on capital goods	1,943	2,913
Sales tax	1,140	1,728
Tax authority	4,863	4,672
Dividends payable	331	3,304
Fixed assets supplies	14,192	14,586
Others	33,516	25,229
	<u>55,985</u>	<u>52,432</u>

## 18. Accrued expenses

The accrued expenses amounted to KEGP 8,227 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Accrued interest	8,044	11,137
Accrued expenses	183	207
	<u>8,227</u>	<u>11,344</u>

## 21. Cost of sales

The cost of sales for the year ended December 31, 2006 amounted to KEGP 248,958 analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Personnel Expenses	22,414	16,755
Energy cost	58,092	51,474
Materials cost	65,075	61,990
Depreciation	46,391	46,549
Maintenance	15,046	11,828
Other fixed cost	24,233	20,939
Spare parts	13,048	9,140
Transportation services	6,128	5,098
Change in inventories	(2,547)	286
Insurance and taxes	1,078	1,808
	<u>248,958</u>	<u>225,867</u>

## 22. General & Administrative expenses

Administration expenses amounted to KEGP 16,088 for the year ended December 31, 2006 analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Personnel Expenses	7,090	3,516
Depreciation	1,257	1,186
Transportation	713	799
Training	-	174
Maintenance and rental expenses	360	344
Management fees	1,576	1,576
Others	5,092	6,261
	<u>16,088</u>	<u>13,856</u>

## 23. Other income

Other income amounted to KEGP 4,040 for the year ended December 31, 2006 analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Scrap sales	4,040	43
Miscellaneous	-	125
	<u>4,040</u>	<u>168</u>

**Alexandria Portland Cement Company**  
**S.A.E.**  
**Notes to the consolidated financial statements**  
**as of December 31, 2006**

**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.

**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, 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.

## 24. Related Party Transactions

Transactions with related parties during the year ended December 31, 2006 comprise:

(Amounts expressed in thousands Egyptian Pounds)

Company	Debit	Credit	Description of transactions
<b>Beni Suef Cement Company S.A.E</b>	7,368	18,474	These balances represent current account between both companies & was charged by the following transaction during the year: <ul style="list-style-type: none"> <li>▪ .Purchase of clinker for KEGP 1,013.</li> <li>▪ Transfers of refractory &amp; spare parts for KEGP 539.</li> <li>▪ Purchase of bags amounting to KEGP 2,963</li> </ul> Transfer of craft papers amounting to KEGP 6,634.
<b>Blue Circle Technical services (BCTC)</b>	46	975	Major transaction during the year represents accrued technical services fees and equivalent to KGBP 83.
<b>Lafarge S.A.</b>	17	1,333	The balance represents the current account between both companies and was charged by the following transactions during the year: <ul style="list-style-type: none"> <li>▪ Technical assistance amounting to KEUR 86,595.</li> <li>▪ Bank transfers during the year amounting to KEUR 358.</li> <li>▪ Other Services amounting to KEUR 37</li> </ul>
<b>Lafarge FLAF</b>	-	727	This balance represents commission payable to Lafarge S.A. for the guarantee service.
<b>4M / Titan silos</b>	3,937	29	The balances represent the current account between both companies and include payment of KUSD 100 to settle the company loan.
<b>LTE</b>	380	-	This balance represents the audit fees paid by the company
<b>Alexandria Development Investment Limited</b>	55	-	This debit account represents current account between both companies.



## **25. Tax position**

### **Corporate income tax**

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

For the years up to December 31, 2001, the tax disputes were resolved and settled

For the years 2002 and 2003, the books were inspected by the tax authority and points of dispute are referred to an internal committee.

The years 2004 and 2005 have not yet been inspected by the tax authority

### **Salary tax**

The company timely remits salary taxes withheld from its employees to the Tax Authority, in accordance with the Income Tax Law with respect to salaries.

The salary taxes were inspected and taxes paid until December 31, 2002 and a settlement was made. For the year ended December 31, 2003, the books are under inspection.

### **Sales tax**

The company pays the sales taxes collected from its customers for the sales of cement and freight on the due dates. The sales tax authority inspected the company's books until June 30, 2005, and taxes due were paid.

### **Real estate tax**

The company's books were inspected and settled until 2003. Years 2004 and 2005 were still under appeal.

### **Stamp tax**

The company's books were inspected and settled until 2003.

## **26. 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.

## **27. Merging Blue Circle Cement Egypt (subsidiary) into the Company**

According to the resolution of the extraordinary general assembly meeting dated December 20, 2006, Blue circle Cement Company (subsidiary) will be merged into the Company effective January 1, 2007.

## **28. Comparative figures**

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