

**ALEXANDRIA PORTLAND CEMENT
COMPANY (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
TOGETHER WITH THE INDEPENDENT
AUDITOR'S REPORT**

**INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT OF
ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)**

Report on the Financial Statements

We have audited the accompanying financial statements of **ALEXANDRIA PORTLAND CEMENT Company (S.A.E)**, represented in the separate balance sheet as at 31 December 2008, as well as the related separate statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

The scope of our audit procedures was established based on the tolerable error set for Titan Cement Company S A group reporting purposes amounting to € 1,250K. Had we been able to perform our audit based on the stand alone materiality level developed by us, other matters might have come to our attention indicating that adjustments might be necessary to the financial statements.

Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **ALEXANDRIA PORTLAND CEMENT Company (S.A.E)** as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the related applicable Egyptian laws and regulations.

Report on Other Legal and Regulatory Requirements

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records. (The company maintains a costing system that meets the purpose and) the physical inventory count was undertaken by the Company's Management in accordance with the proper norms.



Abdelmohsen A. Tageldeen

Certified Public Accountant (USA)

Fellow of the Egyptian Association of Accountants and Auditors

R.A.A. 15058

Cairo: 2 February 2009

Alexandria Portland Cement Company S.A.E

Separate Balance Sheet

As of 31 December 2008

	Note	2008 EGP'000	2007 EGP'000
Non-current assets			
Property, plant and equipment, net	(3)	1,995,773	611,996
Projects under construction	(5)	78,386	71,449
Held to Maturity Investments		359	359
Intangible Assets, Net	(4)	4,628	1,262
Investments in subsidiary	(6a)	75,960	1,500
Available-for-sale investment	(6b)	30,836	30,836
Total non-current assets		<u>2,185,942</u>	<u>717,402</u>
Current assets			
Inventory	(7)	137,224	120,110
Account receivable		198	198
Due from related parties	(8)	10,568	15,377
Prepaid expenses and other debit balances	(9)	35,813	46,322
Cash on hand and at banks	(10)	39,577	326,718
Total current assets		<u>223,380</u>	<u>508,725</u>
Total assets		<u>2,409,322</u>	<u>1,226,127</u>
Equity and liabilities			
Equity			
Issued and paid up capital	(11a)	120,575	120,575
General reserve		372,454	373,829
Legal reserve		40,097	31,296
Retained earning		9,738	-
Net profit for the year		193,871	172,010
Revaluation Reserve		1,374,986	-
Deferred Tax on Revaluation Reserve	(11b)	(274,995)	-
Total equity		<u>1,836,726</u>	<u>697,710</u>
Non-current liabilities			
Non-current portion of term loan	(12)	-	274,667
Sales tax installments		1,856	2,489
Deferred tax liabilities	(25)	296,697	9,227
Total non-current liabilities		<u>298,553</u>	<u>286,383</u>
Current liabilities			
Provisions	(15)	17,657	25,710
Current portion of term loan	(12)	-	84,615
loan from intercompany	(12)	60,420	-
Accounts payable		29,382	42,126
Due to related parties	(13)	957	14,540
Notes payables		10,934	-
Accrued expenses and other credit balances	(14)	154,365	74,715
Dividends payable		328	328
Total current liabilities		<u>274,043</u>	<u>242,034</u>
Total equity and liabilities		<u>2,409,322</u>	<u>1,226,127</u>


Chief Financial Officer


Chief Executive Officer

- The accompanying notes from (1) to (28) form an integral part of the financial statements.

- Independent auditor's report attached.

Alexandria Portland Cement Company S.A.E

Separate Income Statement

For the year ended 31 December 2008

	Note	2008 EGP'000	2007 EGP'000
Sales, net	(18)	732,886	532,543
Cost of sales	(19)	<u>(448,140)</u>	<u>(285,863)</u>
Gross profit		<u>284,746</u>	<u>246,680</u>
General & Administrative expenses	(20)	(25,035)	(17,865)
Provisions	(15)	(7,658)	(14,411)
Provisions no longer required		11,484	-
Allowance for other debit balances		(1,182)	-
Other expenses		(17,895)	-
Other income	(21)	8,395	3,980
Operating profit		<u>252,855</u>	<u>218,384</u>
Financing cost		(32,058)	(40,730)
Dividends income		4,030	900
Interest income		14,821	17,892
Gain from sale of property, plant and equipment		2,266	223
Foreign exchange (loss) gain		(100)	683
Net profit for the Year before Income Taxes		<u>241,814</u>	<u>197,352</u>
Current Income tax		(37,903)	(16,932)
Deferred income tax expense		(10,040)	(8,410)
Net profit for the Year		<u>193,871</u>	<u>172,010</u>
Earnings per share	(22)	<u>16.08</u>	<u>14.27</u>

- The accompanying notes from (1) to (28) form an integral part of the financial statements.

Alexandria Portland Cement Company S.A.E
Separate Statement of Changes in Shareholders Equity

For the year ended 31 December 2008

	Issued and paid up capital	Legal reserve	General reserve	Revaluation Reserve	Deferred tax on Revaluation	Retained earnings	Net profit for the year	Total
	EGP'000	EGP'000	EGP'000	EGP'000	EGP'000	EGP'000	EGP'000	EGP'000
Balance as of 1 January 2007	120 000	31 296	9,031	-	-	240 890	188 836	590 053
Increase in share capital	575	-	-	-	-	-	-	575
Transfer to retained earnings	-	-	-	-	-	188 836	(188 836)	-
Interim Dividends Paid	-	-	-	-	-	(36 170)	-	(36 170)
Revaluation adjustments	-	-	(45 686)	-	-	-	-	(45 686)
Net profit for the year	-	-	-	-	-	-	172 010	172 010
Write - back of provisions	-	-	16 928	-	-	-	-	16 928
Transfer to general reserve	-	-	393 556	-	-	(393 556)	-	-
Balance as of December 31, 2007	120,575	31,296	373,829	-	-	-	172,010	697,710
Transfer to retained earnings and legal reserve	-	8,801	-	-	-	163,209	(172,010)	-
Dividends Paid (note 16)	-	-	(1,375)	-	-	(163,209)	-	(164,584)
Revaluation reserve (note 3)	-	-	-	1,387,160	-	-	-	1,387,160
Transfer from revaluation reserve (note 2-5)	-	-	-	(12,174)	-	12,174	-	-
Deferred tax on revaluation (note 11b)	-	-	-	-	(277,431)	-	-	(277,431)
Deferred tax adjustment (note 11b)	-	-	-	-	2,436	(2,436)	-	-
Net profit for the year	-	-	-	-	-	-	193,871	193,871
Balance as of December 31, 2008	120 575	40 097	372 454	1 374 986	(274 995)	9 738	193 871	1 836 726

- The accompanying notes from (1) to (28) form an integral part of the financial statements.

Alexandria Portland Cement Company S.A.E

Separate Statement of Cash Flow

For the year ended 31 December 2008

	Note	2008	2007
		EGP'000	EGP'000
Cash flows from operating activities			
Net profit for the year before tax		241,814	197,352
Adjustments for :			
Depreciation & Amortization		50,409	45,443
Foreign exchange gain		-	(683)
Gains from sale of property, plant and equipment		(2,266)	(223)
Goodwill		-	35,500
Finance cost		32,058	-
Interest income		(14,821)	-
Provisions		7,658	2,568
Used from provision		(3,645)	-
Provisions no longer required		(11,484)	-
Allowance for other debit balance		(1,182)	-
Work in progress written - off		1,366	-
Minority interest		-	(2,606)
Revaluation Adjustment		-	(45,686)
Operating profit before working capital changes		299,907	231,665
(Increase) in inventory		(17,114)	(5,670)
(Increase) in Trade receivables		-	(50)
Decrease (Increase) in other debit balances		11,824	(11,659)
Decrease (Increase) in due from related parties		4,809	(3,636)
(Decrease) Increase in account payable		(12,744)	3,738
Increase in notes payable		10,934	-
Increase in other credit balances		40,726	20,892
(Decrease) in due to related parties		(13,583)	(3,963)
Interest received		14,686	-
Interest paid		(31,617)	-
Net cash provided from operating activities		307,828	231,318
Cash flows from investing activities			
Investments in subsidiaries		(74,460)	-
Work in progress		(58,863)	(40,896)
Sales tax installments		(633)	1,162
Proceeds from sale of property, plant and equipment		2,434	-
Net cash used in investing activities		(131,522)	(39,734)
Cash flows from financing activities			
Issuance of share capital		-	575
Dividends paid		(164,584)	(36,170)
loan from intercompany		60,420	-
Payments of term loans		(359,282)	(38,617)
Net cash used in financing activities		(463,446)	(74,212)
Net (decrease) increase in cash and cash equivalents during the year		(287,140)	117,372
Cash and cash equivalents at beginning of the year		326,718	209,346
Cash and cash equivalents at end of the year	(10)	39,578	326,718

- The accompanying notes from (1) to (28) form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

1. BACKGROUND

Alexandria Portland Cement Company was established on June 7th 1948 by a royal decree. The company was transferred from public to business sector under Law No. 203 of 1991, at the time the company was affiliated with the Holding Company for Chemical Manufacturing. The company was later listed in the stock exchange market.

According to the Egyptian Government's privatization program, the company was privatized through ownership transferral where 73.65% of the company has been privatized and ownership rights given to Blue Circle Industries BLC as of January 24th 2000.

On the 1st of February 2000, an Extraordinary General Assembly meeting was held where the company's articles of association have been modified to conform to the companies Law No. 159 of 1981 and the capital markets Law No. 95 of 1992.

On July 11th 2001, Lafarge S.A. purchased Blue Circle Industries Plc.

On May 26th 2003, Alexandria for Development Limited Company purchased 10,614,137 shares of Alexandria Portland Cement Company which is 88.45% of the company's shares.

On December 20th 2006, an Extraordinary General Assembly meeting was held as to agree on the merger of Blue Circle Egypt for Cement Company S.A.E in Alexandria Portland Cement Company S.A.E and December 31st 2006 was determined as the date of the merger.

On July 17th 2007, the final revaluation report was issued by General Authority for Investments and free zones for revaluating the net assets for the merged and merger companies.

According to this report, the shareholders' equity for Alexandria Portland Cement Company (merger Company) as of 31 December 2006 amounted to EGP 544,793 Thousands, and shareholders' equity of Blue Circle for Cement (merged Company) amounted to EGP 834,913 Thousands. After excluding the value of the investments of the two companies in each others, the net shareholders' equity has amounted to EGP 547,477 Thousands as of 31 December 2006.

According to the above, the company's paid up capital has increased by EGP 574,700 (the par value of the newly issued shares against minority interest) and the issued capital of the merger company has been increased to EGP 120,574,700 and the difference between the capital amount and the shareholders' equity after the merger will be transferred to General reserve.

On September 18th 2007, an Extraordinary General Assembly meeting for Alexandria Portland Cement Company and Blue Circle for Cement was held to approve the final report of the General Authority for Investments and free zones and the merger of the two companies on the adjusted Book values of the companies.

On 28th of October 2007, the General Authority for Investments and free zones has decided to licensure the merger of Blue circle Company for Cement (merged company) in Alexandria Portland Cement Company (Merger Company) and determining the date of 31 December 2006 as the date of the merger in which the merger company legally replaced the merged company of all its rights and obligations and the effective date of the merger will be on 1st of January 2007. On 7th November 2007, Alexandria Portland Cement Company has registered the merger in the commercial registry.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Company objective

The main objective of the company is to manufacture, sell and market all kinds of cement, gypsum, cement aggregates and concrete, extracts of quarries and the related products, in the Arab Republic of Egypt and/or abroad by importing and/or exporting the mentioned products.

2. SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The financial statements have been prepared in Egyptian pound in accordance with the International Financial Reporting Standards, the applicable laws and regulations and the historical cost basis.

2-2 Changes in accounting policies

The adopted accounting policies were not changed from those policies adopted in the previous year, Except for revaluation of Property, plant & Equipment.

2-3 IASB Standards and Interpretations issued at 31 December 2007 but not adopted

Revised IAS 1 - Presentation of Financial Statements has been issued at 31 December 2007 but not adopted by the Company as it is only mandatory for the year ending 31 December 2009. The application of this standard will result in amendments to the presentation of the financial statements.

2-4 Foreign currency translation

The Company's records are maintained in Egyptian pound. Transactions in foreign currencies during the year are recorded using the exchange rates prevailing on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pound using the exchange rates prevailing on that date. Translation differences are recorded in the statement of income.

2-5 Property, plant and equipment

Vehicles, furniture and office equipment and land improvement are stated at historical cost net of accumulated depreciation. Depreciation is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Vehicles	5-7
Furniture and office equipment	3-10
Land improvement	Quarries depletion rate

Effective from May 2008 Land, buildings and machinery are measured at fair value less accumulated depreciation on buildings and machinery and impairment losses recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the balance sheet, except to the extent that it reserves a revaluation decrease of the same asset previously recognized in profit and loss, in which case the increase is recognized in profit and loss.

A revaluation deficit is recognized in profit and loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revaluated amount of the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

An annual transfer from the asset revaluation reverses to retained earnings is made for the difference between depreciation based on the revaluated carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of buildings, machinery and equipment are computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Buildings	Up to 50
Machinery and equipment	Up to 40

2-6 Projects under construction

Projects under construction represent the amounts that are paid for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets. Projects under construction are valued at cost.

2-7 Held to maturity investments

Held to maturity investments represents investments in governmental bonds that are held to maturity and are recorded at cost less any permanent impairment in the value of investment.

2-8 Available for sale Investments

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity.

An assessment is made at each balance sheet date to determine whether there is objective evidence that an investment may be impaired. If such evidence exists, any impairment loss (being the difference between cost and fair value, less any impairment loss previously recognised) is recognised in the income statement. In the case of equity and similar investments the investment is written down directly whereas in the case of bonds and similar securities a provision account is used.

2-9 Investments in subsidiaries

Investments in Subsidiaries are accounted for using the cost method. In case of permanent impairment in the value of the investment from its book value, the book value is to be adjusted by the amount of decrease and impairment loss is recognized in the income statement for each investment separately.

Revenue from investments is recognized based on to the dividends received from the investor companies, from earnings generated after the date of acquisition of those investments, this is after the date of dividends distribution declaration approved by the General Assembly Meetings of those investor companies.

2-10 Intangible Assets

Intangible assets represent the computer programs and the related licenses and are amortized using the straight-line method over their estimated useful life (5 years).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2-11 Inventory

The inventory elements are valued as follows:

- a) Spare parts and supplies: at the lower of cost using the moving average method or net realizable value. An allowance is made for any obsolete and slow moving inventory to reach the approximate net realizable value for that inventory when it is less than the cost.
- b) Raw materials: at the lower of cost using the moving average method or net realizable value.
- c) Finished products: at the lower of the cost of production based on the costing sheets or net realizable value.
- d) Work in process: at the lower of the cost of production of the latest completed phase based on the costing sheets or net realizable value.

2-12 Account receivable and other debit balances

Accounts receivable and other debit balances are stated at book value. An allowance is made for any doubtful debts.

2-13 Provisions

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

2-14 Legal reserve

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

2-15 Borrowings

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

2-16 Income taxes

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

2-17 Revenue recognition

Revenue is recognized when the goods are delivered to the client and an invoice is issued.

Interest revenue is recognized as the interest accrues using the effective interest method.

Dividend revenue is recognised when the right to receive the dividend is established.

2-18 Expenses

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

2-19 Borrowing costs

Borrowing costs are recorded in the statement of income as financing expenses except the borrowing costs directly related to the acquisition, construction or production of a qualifying assets which is included as part of the cost of the asset.

2-20 Related party Transactions

Related party transactions performed by the Company within its normal business transactions are recorded based on the conditions set by the board of directors.

2-21 Accounting estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years. Actual results could differ from these estimates.

2-22 Impairment of assets

The Company regularly assesses whether there is an indication that an asset could be impaired. If any such indication exists, the recoverable amount of the asset is compared with its carrying amount, and when the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognized impairment loss is reversed when there is a change in the recoverable amount of the asset to the extent of the previously recognized loss.

2-23 Cash flow statement

The cash flow statement is prepared using the indirect method.

2-24 Cash and cash equivalent

For the purpose of preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months.

Alexandria Portland Cement Company S.A.E.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

3. Property, plant and equipment

Cost/ Valuation	Land	Buildings	Machinery and	Vehicles	Furniture and	Land	Total
	EGP'000	EGP'000	equipment EGP'000	EGP'000	Office equipment EGP'000	Improvement EGP'000	EGP'000
At 1 January 2008	10,647	178,250	680,221	36,579	16,478	-	922,175
Transfers from projects under construction	-	2,835	13,305	1,465	2,297	23,159	43,061
Disposals	-	-	-	(19,539)	(389)	-	(19,928)
Revaluation adjustment	-	(59,275)	(224,606)	-	-	-	(283,881)
Revaluation surplus	542,618	175,604	668,938	-	-	-	1,387,160
As of 31 December 2008	553,265	297,414	1,137,858	18,505	18,386	23,159	2,048,587
Depreciation							
At 1 January 2008	-	55,004	208,126	34,378	12,671	-	310,179
Depreciation charged for the period	-	8,560	32,950	894	2,120	1,751	46,275
Related to disposals	-	-	-	(19,502)	(257)	-	(19,759)
Revaluation adjustment	-	(59,275)	(224,606)	-	-	-	(283,881)
As of 31 December 2008	-	4,289	16,470	15,770	14,534	1,751	52,814
Net book value							
As of 31 December 2008	553,265	293,125	1,121,388	2,735	3,852	21,408	1,995,773
As of 31 December 2007	10,647	123,246	472,095	2,201	3,807	-	611,996

On May 2008, the company has revalued its land, buildings and machinery using an independent valuer for land valuation and using Titan Cement group, Engineering and Technology department for building and machinery valuation. Land valuation is based on market price per square meter adjusted for area, location and industry type. Buildings and machinery valuation is based on recent market quotes for the construction of new similar production line adjusted for production capacity and years of operation of the company's buildings and machinery.

Alexandria Portland Cement Company S.A.E.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Amounts in EGP'000

4. Intangible Assets, Net

Intangible assets represent the cost of computer software and its license that amortized using the straight-line basis over 5 years.

	31-Dec-08	31-Dec-07
Cost	EGP	EGP
Beginning of the year	3,581	3,304
Additions	-	277
Transfers from Projects under construction	7,499	
End of the year	<u>11,080</u>	<u>3,581</u>
Accumulated amortization		
Beginning of the year	2,319	1590
Charge for the year	4,133	729
End of the year	<u>6,452</u>	<u>2,319</u>
Net book value		
End of the year	<u>4,628</u>	<u>1,262</u>

5. Projects under construction

	31-Dec-08	31-Dec-07
Cost	EGP	EGP
Beginning balance	71,449	42,768
Additions	58,863	40,893
Transfers to property, plant and equipment	(43,061)	(12,212)
Transfers to intangible assets	(7,499)	-
Written off	(1,366)	-
Ending of the year	<u>78,386</u>	<u>71,449</u>

Alexandria Portland Cement Company S.A.E.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Amounts in EGP'000

6. Investments

A. Investment in subsidiaries

	Percentage	31-Dec-08 EGP	31-Dec-07 EGP
Titan Beton & Aggregates Egypt L.L.C (4M Titan silos)	96.54%	77,230	2,770
Impairment loss		(1,270)	(1,270)
		<u>75,960</u>	<u>1,500</u>

B. Investments Available for sale

	Percentage EGP	31-Dec-08 EGP	31-Dec-07 EGP
Beni Suef Cement Company – unquoted	5%	30,836	30,836
		<u>30,836</u>	<u>30,826</u>

Investments in unquoted shares are carried at cost whose fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

7. Inventory

	31-Dec-08 EGP	31-Dec-07 EGP
Raw Materials	12,751	7,891
Consumable Stores	164	102
Spare Parts and supplies	127,813	121,709
Packing Materials	5,278	6,112
Semi Finished Goods	8,373	6,214
Finished Product	922	1,163
Spare parts allowance	(18,077)	(23,081)
	<u>137,224</u>	<u>120,110</u>

The amount of write-down of inventories recognised as an decline in the expense of L.E 5,004 thousands (2007: L.E 8,610 thousands) which is recognised in cost of sales.

8. Due from related parties

	31-Dec-08 EGP	31-Dec-07 EGP
Beni Suef Cement Co.	10,568	10,137
Titan Beton and Aggregate Egypt LLC	-	5,029
Alexandria Development Ltd	-	211
	<u>10,568</u>	<u>15,377</u>

Alexandria Portland Cement Company S.A.E.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Amounts in EGP'000

9. Prepaid expenses and other debit balances

	31-Dec-08 EGP	31-Dec-07 EGP
Taxes Receivable	6,495	18,173
Cash Margin against letter of guarantees	360	1,172
Prepaid expenses	4,494	3,409
Advances to supplier	11,416	6,614
Advance to employee profit share	-	2,472
Deposits with others	5,849	3,872
Custom authority	4,940	6,054
Accrued interest	19	2,352
Others debit balances	3,646	2,428
Allowance for other debit balances	(1,406)	(224)
	<u>35,813</u>	<u>46,322</u>

10. Cash on hand and at banks

	31-Dec-08 EGP	31-Dec-07 EGP
Term Deposits		
Local Currency	15,382	297,880
Forgien Currency	-	24,146
	<u>15,382</u>	<u>322,026</u>
Current Accounts		
Cash	30	70
Local Currency	24,165	4,622
	<u>24,195</u>	<u>4,692</u>
	<u>39,577</u>	<u>326,718</u>

The time deposits held with Suez Canal Bank of L.E 1,641 Thousands are blocked against letters of guarantees issued by the company in favor of third parties (note 24).

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

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11 a Issued and paid up capital

The authorized capital of the Company amounted to L.E 200 million, and the issued and fully paid up capital amounted to L.E 120,574,700 divided among 12,057,470 nominal shares of L.E 10 par value each, as follows :

Name	APCC no. of shares before merger	No. of shares after merger	Percentage after merger	Nominal Value after merger
			%	EGP
Alexandria development ltd	10614137	10614137	88.030%	106,141,370
BSCC	1061788	1061788	8,806%	10,617,880
BCCC	50000	50000	0.415%	500,000
BC.PRODUCTS	-	11494	0.095%	114,940
Associated International Cement Ltd.	-	45976	0.381%	459,760
others	274075	274075	2,273	2,740,750
Total	12,000,000	12,057,470	100	120,574,700

11 b Deferred Tax on Revaluation Reserve

Pursuant to the company's change in accounting policy to the valuation model of its fixed assets in accordance with IAS (16), Deferred tax on Revaluation Reserve was calculated at 20% of the Revaluation Reserve amounted to LE 277,431 thousands as of 30 June 2008, less amounts transferred to Retained Earnings for the period from 1 July 2008 to 31 December 2008 amounted to LE 2,436 thousands to disclose a net balance of LE 274,995 thousands as of 31 December 2008.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Amounts in EGP'000

12. Term loans:

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

Lender	Loan currency	Loan principal amount	Outstanding balance at 31.12.2007	Outstanding balance at 31.12.2008
NSGB - first loan	EGP	56,000	19,382	-
CIB	EGP	125,000	125,000	-
HSBC	EGP	85,000	78,000	-
NSGB - second loan	EGP	80,000	64,000	-
HSBC - second loan	EGP	45,000	37,000	-
Cairo Barclays	EGP	39,900	35,900	-
HSBC	EGP	70,000	-	-
Loan from Titan Beton and Aggregate Egypt	EGP	60,420	-	60,420
		<u>430,900</u>	<u>359,282</u>	<u>60,420</u>

Titan Beton and Aggregates Egypt Loan

On November 2008 Titan Beton and Aggregate Egypt L.L.C issued a short term loan to the company valued at LE 60,420,000 to settle all company remaining loans and obligation. The loan term is six months starting from November 2008 and ending on April 2009 (Note 23).

The interest is calculated based on borrower's commercial banks deposits rate plus an additional 0.5%.

13. Due to related parties

	31-Dec-08	31-Dec-07
	EGP	EGP
Beni Suef Cement Company	-	14,245
Titan Beton and Aggregate Egypt L.L.C	957	119
Titan	-	176
	<u>957</u>	<u>14,540</u>

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Amounts in EGP'000

14. Accrued expenses and other credit balances

	31-Dec-08	31-Dec-07
	EGP	EGP
Accrued Expenses	33,510	36,874
Accrued interest	441	8,633
Advance to customers	64,591	12,055
Social Insurance Authority	133	128
Tax Authority	43,248	5,813
Payroll Tax	460	1,658
Profit share to employees	1,532	-
Accrued Development fees	6,834	-
Other credit balances	3,616	9,554
	<u>154,365</u>	<u>74,715</u>

15. Provisions

	Balance	Charged during	Used During	No Longer required	Reclassified to	Balanc
	1-Jan-08	the year	the year	EGP	Accruals	31-Dec-08
	EGP	EGP	EGP	EGP	EGP	EGP
Litigation Provision	2,090	166	(8)	(284)	-	1,964
Provision for paid Vacation	344	-	-	-	(344)	-
Bonus Provision	237	-	-	-	(237)	-
Quarry Rehabilitation Provision	1,135	44	-	(1,179)	-	-
Voluntary Employee Leave Payment	3,967	5,365	(2,524)	(6,808)	-	-
Other provisions	17,937	2,083	(1,113)	(3,213)	-	15,694
	<u>25,710</u>	<u>7,658</u>	<u>(3,645)</u>	<u>(11,484)</u>	<u>(581)</u>	<u>17,657</u>

16. Dividends

In accordance with the resolution of the Annual General Assembly meeting held on 26 June 2008, the company has declared dividends to shareholders of LE 164,584,800 which were paid as of July 2008.

Alexandria Portland Cement Company S.A.E.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Amounts in EGP'000

17. Commitments

	Current portion EGP	More than one year to 5 years EGP	More than 5 years EGP
Future purchase commitments:			
Gas supply	<u>28,641</u>	<u>114,566</u>	<u>241,065</u>

The purchase commitment represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the company.

18. Sales, net

	31-Dec-08 EGP	31-Dec-07 EGP
Cement Sales (Domestic)	732,599	532,355
Services rendered	287	188
Total	<u>732,886</u>	<u>532,543</u>

19. Cost of sales

	31-Dec-08 EGP	31-Dec-07 EGP
Employees' Expenses	43,492	24,428
Energy cost	115,448	68,766
Materials cost	195,074	106,093
Depreciation and amortization	45,842	44,389
Maintenance	22,982	20,618
Other fixed cost	17,088	15,433
Spare parts used	2,269	596
Direct production overhead	4,162	4,529
Insurance and taxes	1,783	1,011
	<u>448,140</u>	<u>285,863</u>

Alexandria Portland Cement Company S.A.E.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

20. General and Administrative expenses	<u>Amounts in EGP'000</u>	
	31-Dec-08 EGP	31-Dec-07 EGP
Employees' costs	13,368	8,982
Depreciation and amortization	4,567	1,054
Transportation services	431	659
Professional fees	1,176	2,845
Other	5,493	4,325
	<u>25,035</u>	<u>17,865</u>

21. Other income	31-Dec-08	31-Dec-07
	EGP	EGP
Scrap sales	1,457	2,773
Accounts payable written-back	5,030	-
Miscellaneous	1,908	1,207
	<u>8,395</u>	<u>3,980</u>

22. 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.

	31-Dec-08	31-Dec-07
	EGP	EGP
Net profit for the year (In thousands)	193,871	172,010
Number of shares outstanding (In thousands)	<u>12,057</u>	<u>12,057</u>
Earning per share	<u>16.08</u>	<u>14.27</u>

NOTES TO THE FINANCIAL STATEMENTS

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23. Related Party Transactions

The transactions with related parties for the year are represented in transactions with holding company and its affiliated companies and some of the shareholders as follows:

Company	Description of transactions
Beni Suef Cement Company S.A.E	Transactions represented in dividends distribution to Beni Suef Cement Company of L.E 14,493 thousands and from Beni Suef Cement Company of L.E 4,030 thousands and interest income of L.E 642 thousands belong to blocked deposits of the company for securing the Overdraft facility obtained by Beni Suef.
Titan Beton & Aggregates Egypt L.L.C	Transactions represented in current account between both companies and Loan from Titan Beton & Aggregates Egypt L.L.C as presented in note (12) with interest expense of L.E 469 Thousands.

24. Contingent liabilities

The Company had contingent liabilities in respect of bank guarantees in Egyptian pounds arising in the ordinary course of business from which it is anticipated that no material liabilities will arise amounting to EGP 1,641 thousand as of 31 December 2008, which is covered by blocked deposits amounting to EGP 1,641 thousand (note 10).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Amounts in EGP'000

25. Deferred tax liabilities/ Assets

	Asset	Liability	Asset	Liability
	2008	2008	2007	2007
	EGP	EGP	EGP	EGP
Fixed assets depreciation	-	54,387	-	44,287
Revaluation Reserve*	-	274,995	-	-
Provisions	17,479	-	19,854	-
Intercompany interest loan	15,206	-	15,206	-
	<u>32,685</u>	<u>329,382</u>	<u>35,060</u>	<u>44,287</u>
Net deferred tax liabilities	-	296,697	-	9,227

Deferred Tax liability on Revaluation Reserve is recorded against Deferred Tax on Revaluation Reserve account in equity (note 11 b) at 20% of the Revaluation Reserve amounted to LE 277,431 thousands as of 30 June 2008, less amounts closed in the income statement for the period from 1 July 2008 to 31 December 2008 amounted to LE 2,436 thousands to disclose net deferred tax liability on Revaluation Reserve of LE 274,995 thousands as of 31 December 2008.

The deferred tax expense amounting to LE 10,040 thousands represents the above-mentioned balance of LE 296,697 thousands excluding deferred tax on revaluation reserve balance of LE 274,995 thousands (LE 21,702 thousands), less 2007 balance of LE 9,227 thousands resulting in Deferred tax expense of LE 12,475 thousands less deferred tax income adjustments of LE 2,436 thousands.

26. Tax position

Corporate income tax

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

For the years from 2000 till 2003 the books were inspected by the tax authority dispute points were solved and the taxes were settled from our credit balance due from the tax authority

For the years 2004 the books were inspected and we are finalizing the internal committee now.

No tax inspection took place for the year 2005-2007.

NOTES TO THE FINANCIAL STATEMENTS

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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.

For the years from 2000 till 2004 the salary's tax calculations were inspected and settled
For the years 2005-2006, still under inspection
For the year 2007 the salary's tax calculation filed at time but no inspection took place.
For BCCE the years till 2004 tax calculations were inspected and we are finalizing the internal committee now.

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 2006, and taxes due were paid for APCC and BCCE dispute did not finalized yet .

For the year 2007 no inspection took place.

Real estate tax

The company's books were inspected and settled until 2008.

Stamp tax

The company's books were inspected and settled until 2004 and points of dispute are referred to an internal committee which amounted to L.E 3. 2 Millions and provision was taken.

The company's books for the years 2005- 2006 were inspected and we are preparing for internal committee.

BCCE books till the years 2005 were inspected and finalized.

27. Financial instruments and risk management

Financial instruments

The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash on hand and at banks, accounts receivable and other debit balances. The financial liabilities include current portion of long term loans, accounts payable, due to affiliates and other credit balances.

The significant accounting policies applied for the recognition and measurement of the above mentioned financial assets and liabilities and the related income and expenses are included in note (2) of these notes to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Foreign currency risk

Foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates.

Fair Value for financial instruments

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances and receivables. Financial liabilities consist of bank overdrafts, term loans, obligations under finance leases, and payables. Derivatives consist of foreign exchange contracts.

The fair values of financial instruments, with the exception of certain available-for-sale investments carried at cost are not materially different from their carrying values.

Interest rate risk

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Company monitors the maturity structure of assets and liabilities with the related interest rates.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2008 based on contractual payment dates:

	<i>Less than 6 months</i>	<i>6 to 12 months</i>	<i>1 to 5 Years</i>	<i>More than 5 years</i>	<i>Total</i>
	<i>EGP'000</i>	<i>EGP'000</i>	<i>EGP'000</i>	<i>EGP'000</i>	<i>EGP'000</i>
<u>Year Ended 31 December 2008:</u>					
Trade and other payables	-	195,636	328	-	195,964
Other non current liabilities	-	-	1,856	-	1,856
Borrowings	-	60,420	-	-	60,420
	-	256,056	2,184	-	258,240
<u>Year Ended 31 December 2007:</u>					
Trade and other payable	100,526	30,854	328	-	131,708
Borrowings	42,307	42,307	262,167	12,500	359,281
Other non current liabilities	-	-	2,489	-	2,489
	142,833	73,161	264,984	12,500	493,478

28. Comparative figures

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