BENI SUEF CEMENT COMPANY (S.A.E)
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMEBR 2008
TOGETHER WITH AUDITOR'S REPORT

ERNST & YOUNG

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AUDITOR'S REPORT TO THE MANAGEMENT OF BENI SUEF CEMENT (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of **Beni Suef Cement (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. 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 Standards on Auditing 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 separate 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 **Beni Suef Cement (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.

Without qualifying our opinion, we draw attention to the following:

- Complying with Beni Suef's Governor decision to collect state development fees of LE 2 against each cement ton produced effective 22 October 2002, the Company has paid amounts to Beni Suef Governorate on account of the amounts due by the Company and in return has raised a court case to cancel that decision and refund the amounts paid. The Company's legal advisor believes that the likelihood of the Company loosing this case is remote, accordingly, the total balance paid amounting to LE 9.6 M as of December 31, 2008 was included in the other debit balances until the final ruling in the court case.

- The Nile Organization has raised a court case against the Company claiming compensation amounting to LE 300 M for the harms resulted from the Company's use of the quarries land. The Company's legal advisor believes that there's no need to record provision as the case is not yet held in court.

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
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Cairo: 2 February 2009

SEPARATE BALANCE SHEET
As Of 31 December 2008

	Note	2008 KEGP	2007 KEGP
Non-current assets			
Property, plant and equipment, net	(2-5,3)	**1,358,171**	610,220
Projects under construction	(2-6,4)	**463,873**	290,190
Intangible assets, net	(2-7,5)	**1,233**	1,443
Investment in associate	(2-8,6)	**-**	-
Available - for - sale investment	(2-9,7)	**31,913**	31,913
Total non-current assets		**1,855,190**	933,766
Current assets			
Inventory	(2-10,8)	**105,135**	108,031
Accounts receivable	(2-11,9)	**-**	-
Due from related parties	(2-19,10)	**1,937**	5,769
Prepayments and other debit balances	(2-11,11)	**60,858**	41,363
Cash at banks	(12)	**54,250**	28,629
Total current assets		**222,180**	183,792
Total assets		**2,077,370**	1,117,558
Equity and liabilities			
Equity			
Issued and paid up capital	(13)	**520,000**	520,000
Legal reserve	(2-13)	**21,450**	14,981
Retained earnings		**73,760**	15,101
Net profits for the year		**157,137**	139,336
Revaluation reserve		**759,075**	-
Deferred tax on revaluation reserve	(14)	**(151,815)**	-
Total shareholders' equity		**1,379,607**	689,418
Non-current liabilities			
Non-current portion of term loan	(2-14,15)	**182,608**	172,335
Other non-current liabilities	(16)	**3,010**	5,016
Deferred tax liabilities	(2-15,17)	**185,182**	22,346
Total non-current liabilities		**370,800**	199,697
Current liabilities			
Provisions	(2-12,18)	**22,853**	26,149
Bank overdraft		**-**	41,725
Credit facility	(19)	**122,300**	-
Current portion of term loan	(2-14,15)	**30,435**	24,619
Current portion of other non current liabilities	(16)	**2,195**	2,270
Accounts payable		**24,478**	87,530
Due to related parties	(2-19,20)	**11,617**	176
Accrued expenses and other credit balances	(21)	**113,085**	45,974
Total current liabilities		**326,963**	228,443
Total equity and liabilities		**2,077,370**	1,117,558

Chief Financial Officer **Chief Executive Officer**

- The accompanying notes from (1) to (33) are an integral part of these financial statements.
- Auditor's report attached

SEPARATE STATEMENT OF INCOME
For The Year Ended 31 December 2008

	Note	2008 KEGP	2007 KEGP
Sales, net	(2-16,22)	**636,622**	473,792
Cost of sales	(2-17,23)	**(365,451)**	(263,221)
GROSS PROFIT		**271,171**	210,571
General and administrative expenses	(2-17,24)	**(32,120)**	(25,096)
Decline in value of inventory		**(39)**	(7,395)
Decline value of due from related parties		**(504)**	-
Provisions		**(5,915)**	(5,648)
Investments income	(2-16)	**14,493**	3,400
Provisions no longer required		**2,209**	502
Other income	(25)	**3,850**	5,455
Other expenses	(2-17)	**(10,000)**	-
OPERATING PROFITS		**243,145**	181,789
Finance cost	(2-18)	**(6,068)**	(5,860)
Interest income	(2-16)	**1,988**	2,320
Gain from sale of property, plant and equipment		**196**	585
Foreign exchange loss	(2-4)	**(42,696)**	(3,810)
NET PROFITS FOR THE YEAR BEFORE INCOME TAXES		**196,565**	175,024
Current income tax	(2-15)	**(30,005)**	(5,221)
Deferred income tax expenses	(2-15)	**(9,423)**	(30,467)
NET PROFITS FOR THE YEAR		**157,137**	139,336
EARNINGS PER SHARE	(30)	**3.02**	2.68

- The accompanying notes from (1) to (33) are an integral part of these financial statements.

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For The Year Ended 31 December 2008

	Capital	Legal reserve	General reserve	(Accumulated deficit) retained earnings	Net profits for the year	Revaluation Reserve	Deferred tax related to revaluation reserve	Total
	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP
Balance as of 1 January 2007	520,000	8,105	93,200	(202,564)	149,346	-	-	568,087
Transferred from general reserve	-	-	(93,200)	93,200	-	-	-	-
Transferred to legal reserve	-	6,876	-	(6,876)		-	-	-
Transferred to accumulated deficit	-	-	-	149,346	(149,346)	-	-	-
Dividends	-	-	-	(18,005)		-	-	(18,005)
Net profits for the year	-	-	-	-	139,336	-	-	139,336
Balance as of 31 December 2007	**520,000**	**14,981**	-	**15,101**	**139,336**	-	-	**689,418**
Transferred to retained earnings	-	-	-	139,336	(139,336)	-	-	-
Transferred to legal reserve	-	6,469	-	(6,469)	-	-	-	-
Dividends	-	-	-	(80,594)	-	-	-	(80,594)
Revaluation reserve (note 3)	-	-	-	-	-	767,057	-	767,057
Deferred tax on revaluation reserve (note 14)	-	-	-	-	-	-	(153,411)	(153,411)
Transfer from revaluation reserve	-	-	-	7,982	-	(7,982)	-	-
Deferred tax adjustment (note 14)	-	-	-	(1,596)	-	-	1,596	-
Net profits for the year	-	-	-	-	157,137	-	-	157,137
Balance as of 31 December 2008	**520,000**	**21,450**	-	**73,760**	**157,137**	**759,075**	**(151,815)**	**1,379,607**

The accompanying notes from (1) to (33) are an integral part of these financial statements.

SEPARATE STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2008

	Note	2008 KEGP	2007 KEGP
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profits for the year before income taxes		**196,565**	175,024
Adjustments for :			
Depreciation of property, plant and equipment		**59,021**	75,891
Amortization of intangible assets		**2,515**	1,300
Decline in value of inventory		**39**	-
Decline in value of due from related parties		**504**	
Provisions		**5,915**	6,184
Provisions used		**(7,002)**	(3,266)
Provisions no longer required		**(2,209)**	(1,599)
Gain from sale of property, plant and equipment		**(196)**	(585)
Interest expenses		**6,068**	5,860
Interest income		**(1,988)**	(2,320)
Working capital adjustments :			
Decrease in inventory		**2,857**	10,696
Decrease in due from related parties		**3,328**	3,836
(Increase) in prepayments and other debit balances		**(19,478)**	(5,231)
(Decrease) increase in accounts payable		**(63,052)**	66,617
Increase in due to related parties		**11,441**	1,361
Increase in accrued expenses and other credit balances		**38,056**	18,064
Interest received		**1,971**	2,275
Interest paid		**(5,761)**	(4,911)
Tax paid		**(1,255)**	-
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		**227,339**	349,196
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**196**	863
Increase in project under construction		**(215,903)**	(335,603)
Decrease in investments certificates		**-**	3,740
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		**(215,707)**	(331,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**(80,594)**	(18,005)
(Decrease) increase in bank overdraft		**(41,725)**	23,603
Increase in credit facility		**122,300**	-
Increase (decrease) in long term loan		**16,089**	(18,691)
Payment of non - current liabilities		**(2,081)**	(2,596)
NET CASH FLOWS PROVIDED FROM(USED IN) FINANCING ACTIVITIES		**13,989**	(15,689)
Net increase in cash and cash equivalent during the year		**25,621**	2,507
Cash and cash equivalent - beginning of the year		**28,629**	26,122
CASH AND CASH EQUIVALENT - END OF THE YEAR	(2-23,12)	**54,250**	28,629

- The accompanying notes from (1) to (33) are an integral part of these financial statements.

1 BACKGROUND

Beni Suef Cement Company was established in accordance with the decree of the Egyptian Minister of the General Public Business Sector No. 76/1993 dated 19 October 1993 as an Egyptian joint stock Company wholly owned by the Mining and Refractories Company under the provisions of the Egyptian Public Business Sector Law No. 203 of 1991 and its executive regulation.

The Company was registered in the commercial registry on 3 January 1994 and has started actual production on 30 June 1994.

According to the privatization program of the General Public Business Sector Companies implemented by the Egyptian government, the Company was privatized through the acquisition of 76% of the Company's shares by a foreign major investor on 12 July 1999.

The foreign investment's share has increased to 95% of the Company's shares on 31 December 2000.

An extraordinary general assembly meeting of the Company was held on 29 August 1999 and decided the conciliation of the Company in accordance with Law No. 159 of 1981 and its executive regulation and the capital market Law No. 95 of 1992 and its executive regulation.

The purpose of the Company is the production of cement and all other building materials such as lime stone, concrete units, ready-made concrete and other building materials, marketing and selling these products and any other raw materials inside and outside Egypt, and the production of cement bags and others to pack the cement produced and other raw materials and building materials and their transport. The Company may also acquire or operate cement silos and import all the cement production materials, paper bags and spare parts of vehicles and equipment necessary for operating its business and operate and use all types of quarries.

2 SIGNIFICANT ACCOUNTING POLICIES

2 – 1 Basis of preparation

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

2 – 2 Changes in accounting policies

There was no change in the accounting policies adopted this year from those policies adopted in the previous year, except for the revaluation of property, plant and 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 financial position 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 and depreciation

Vehicles, furniture and office equipment and tools 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 - 20
Furniture and office equipment	5 - 10
Tools	5

Effective from May 2008, land, buildings and machinery equipment are measured at fair value less accumulated depreciation on buildings and machinery equipment 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 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.

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. 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. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of buildings, machinery and equipment are calculated on a straight-line basis over the useful life of the asset as follows:

	Years
Buildings	40
Machinery and equipment	40

2 – 6 Project 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 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).

2 – 8 Investments in associates

Investments associates are accounted for using the cost method and in case there is a decline in the value of these investments from its carrying amount, the carrying amount is adjusted by the value of this decline and is charged to the statement of income for each investment separately. Investment income is recognized based on the Company's share of the dividend declared by the general assembly meeting of the investee companies.

2 – 9 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.

2 – 10 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.

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 cost of production of the latest completed phase based on the costing sheets.

2 – 11 Accounts receivable and other debit balances

Accounts receivable and other debit balances are stated at book value less any impairment losses.

2 – 12 Provisions

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

2 – 13 Legal reserve

According to the Company's article of association, 5% of the net profits of the year are 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 – 14 Borrowing

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 year exceeding twelve months after the financial position date, then the loan balance should be classified as non - current liabilities.

2 – 15 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 financial position (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.

2 – 16 Revenue recognition

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

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

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

2 – 17 Expenses

All expenses including cost of sales, 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 – 18 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 – 19 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 – 20 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 – 21 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 and the impairment loss is charged to the statement of income.

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 – 22 Cash flow statement

The cash flow statement is prepared using the indirect method.

2 – 23 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS
31 December 2008

3 PROPERTY, PLANT AND EQUIPMENT, NET

	Land KEGP	Buildings KEGP	Machinery and equipment KEGP	Vehicles KEGP	Furniture and office equipment KEGP	Tools KEGP	Total KEGP
Cost							
As of 1 January 2008	5,840	275,089	1,249,325	94,131	8,287	4,333	1,637,005
Transferred from projects under construction	35	2,288	31,870	4,089	1,149	485	39,915
Disposals	-	-	-	(522)	(205)	-	(727)
Revaluation adjustment	-	(145,662)	(821,059)	-	-	-	(966,721)
Revaluation surplus	318,597	104,094	344,366	-	-	-	767,057
As of 31 December 2008	324,472	235,809	804,502	97,698	9,231	4,818	1,476,529
Accumulated depreciation							
As of 1 January 2008	-	(140,143)	(790,211)	(86,903)	(6,538)	(2,990)	(1,026,785)
Depreciation for the year	-	(9,875)	(45,637)	(2,179)	(887)	(443)	(59,021)
Disposals	-	-	-	522	205	-	727
Revaluation adjustment	-	145,662	821,059	-	-	-	966,721
As of 31 December 2008	-	(4,356)	(14,789)	(88,560)	(7,220)	(3,433)	(118,358)
Net book value as of 31 December 2008	**324,472**	**231,453**	**789,713**	**9,138**	**2,011**	**1,385**	**1,358,171**
Net book value as of 31 December 2007	5,840	134,946	459,114	7,228	1,749	1,343	610,220

There is no mortgage over the fixed assets.

The company has revalued its land, buildings and machinery in May 2008 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.

4 PROJECTS UNDER CONSTRUCTION

	2008 KEGP	2007 KEGP
Beginning balance	**290,190**	22,853
Additions	**215,903**	335,603
Transferred to property , plant and equipment	**(39,915)**	(68,214)
Transferred to intangible assets	**(2,305)**	(52)
Ending balance	**463,873**	290,190

5 INTANGIBLE ASSETS, NET

Intangible assets represent the computer programs and the related licenses as follows:

	2008 KEGP	2007 KEGP
Cost		
Beginning balance	**5,445**	5,393
Transferred from projects under construction	**2,305**	52
Ending balance	**7,750**	5,445
Accumulated amortization		
Beginning balance	**(4,002)**	(2,702)
Amortization for the year	**(2,515)**	(1,300)
Ending balance	**(6,517)**	(4,002)
Net book value	**1,233**	1,443

6 INVESTMENT IN ASSOCIATE

	% of ownership	2008 KEGP	2007 KEGP
Misrieen Titan for Trade and Distribution Company	50%	106	106
Decline in value of investment		(106)	(106)
		-	-

On 6 November 2008, the Company's partners signed the contract to liquidate the Company. The Partners agreed to distribute the Company liquidation losses according to each partner share in the Company's inception contract.

On 25 November 2008, the Company cancelled its Commercial register and the Company is in process of undertaken the legal procedures related to the liquidation. .

7 AVAILABLE - FOR - SALE INVESTMENT

Available - for - sale investment represents the quoted shares of Alexandria Portland Cement Company in an inactive market which are private equity investments carried at cost with a value of KEGP 31,913 whose fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

8 INVENTORY

	2008 KEGP	2007 KEGP
Raw materials	4,031	1,928
Fuel and oil	2,154	6,208
Spare parts and supplies	87,506	93,439
Packing materials	3,968	1,657
Work in process	15,695	7,966
Finished goods	3,260	2,816
Consigned goods	-	3,494
Goods in transit	4,107	6,070
	120,721	123,578
Decline in value of inventory	(15,586)	(15,547)
	105,135	108,031

9 ACCOUNTS RECEIVABLE

	2008 KEGP	2007 KEGP
Accounts receivable	31	31
Decline in value of accounts receivable	(31)	(31)
	-	-

10 DUE FROM RELATED PARTIES

	2008 KEGP	2007 KEGP
Alexandria Portland Cement Company	-	4,108
Four M Titan for Silos Company	11	66
Misrieen Titan for Trade and Distribution Company	3,030	2,195
	3,041	6,369
Decline in value of due from related parties	(1,104)	(600)
	1,937	5,769

11 PREPAYMENTS AND OTHER DEBIT BALANCES

	2008 KEGP	2007 KEGP
Prepaid expenses	398	1,042
Advances to suppliers	9,561	5,386
Accrued interest	17	42
Tax authority	16,810	2,850
Sundry debtors	4,322	4,082
Margin on letters of guarantee	5,323	7,569
Deposits with others	4,891	4,824
Employees' imprests and advances	317	560
Employees' profit share interim payments	9,625	4,415
Other debit balances	9,594	10,593
	60,858	41,363

12 CASH AT BANKS

	2008 KEGP	2007 KEGP
a) Egyptian pound		
Current accounts	**53,789**	5,057
Time deposits (maturing within 3 months)	**-**	23,150
	53,789	28,207
b) Foreign currency		
Current accounts	**461**	422
	461	422
	54,250	28,629

13 CAPITAL

The Company's authorized capital amounts to KEGP 1 billion, while the Company's issued and paid up capital amounts to KEGP 520 million divided over 52 million shares of par value KEGP 10 each as follows:

	2008 %	2008 No. of Shares	2008 Value KEGP	2007 %	2007 No. of Shares	2007 Value KEGP
Titan For Investment Egypt	**94.998**	**49399**	**493,990**	-	-	-
Lafarge Titan For Investment Egypt	**-**	**-**	**-**	94.998	49399	493,990
Alexandria Portland Cement Company	**5.000**	**2600**	**26,000**	5.000	2600	26,000
Sofimo	**0.001**	**0.500**	**5**	0.001	0.500	5
Iapetos Limited	**0.001**	**0.500**	**5**	0.001	0.500	5
	100.00	**52000**	**520,000**	100.00	52000	520,000

14 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 KEGP 153,411 as of 30 June 2008, less amounts transferred to retained earnings for the period from 1 July 2008 to 31 December 2008 amounted to KEGP 1,596 to disclose a net balance of KEGP 151,815 as of 31 December 2008.

15 TERM LOAN

On 9 September 1992, the Company obtained a long term loan amounting to JPY 10,253,894,440 from Mitsubishi Bank, to be repaid over 28 semi annual instalments starting 20 June 2002 till 20 December 2015 with an annual interest rate of 2.7%.

The Company has made an early settlement for the loan amounting to JPY 3,251,222,000. The loan balance as of 31 December 2008 amounted to KEGP 213,043 (exclusive interests) as follows:

	2008 KEGP	2007 KEGP
Balance due	**213,043**	196,954
Current portion	**(30,435)**	(24,619)
	182,608	172,335

16 OTHER NON-CURRENT LIABILITIES

On 14 April 2004, the Company purchased treasury stock amounting to 1650000 shares (later sold to Alexandria Portland Cement Company) from the Mining and Refractories Holding Company which was owned by the Employees Fund of Beni Suef Cement Company for a total amount of KEGP 21,318. The Company paid KEGP 8,275 and the remaining balance amounting to KEGP 13,043 (guaranteed by letter of guarantee issued by the Company) will be paid over 7 annual instalments starting 1 April 2005 with an annual interest rate of 5%.

The balance due by the Company to the Mining and Refractories Holding Company as of 31 December 2008 amounted to KEGP 5,205 (inclusive interests) as follows:

	2008 KEGP	2007 KEGP
Balance due	**5,205**	7,286
Current portion	**(2,195)**	(2,270)
	3,010	5,016

17 DEFERRED TAX LIABILITIES

	2008 Asset KEGP	**2008 Liability KEGP**	2007 Asset KEGP	2007 Liability KEGP
Depreciation and amortization	**-**	**(41,147)**	-	(30,692)
Revaluation reserve *		**(151,815)**		
Provisions	**7,780**	**-**	8,346	-
	7,780	**(192,962)**	8,346	(30,692)
Net deferred income tax liability		**(185,182)**		(22,346)

* Deferred Tax liability on revaluation reserve is recorded against deferred tax on revaluation reserve account in equity (note 14) at 20% of the revaluation reserve amounted to KEGP 153,411 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 KEGP 1,596 to disclose net deferred tax liability on revaluation reserve of KEGP 151,815 as of 31 December 2008.

The deferred tax expense recognized in the income statement amounting to KEGP 9,423 represents the above-mentioned balance of KEGP 185,182 excluding deferred tax on revaluation reserve balance of KEGP 151,815 (which equals to the balance of KEGP 33,367) less 2007 balance of KEGP 22,346 resulting in deferred tax expense of KEGP 11,019 less deferred tax income adjustments of KEGP 1,596

18 PROVISIONS

	Balance as of 1/1/2008 KEGP	Charged KEGP	Used KEGP	No longer required KEGP	**Balance as of 31/12//2008 KEGP**
Provision for litigation	4,636	-	-	(200)	**4,436**
Provision for bypass transfer	10,814	-	(5,266)	-	**5,548**
Provision for quarries rehabilitation	696	-	-	(696)	**-**
Provision for Voluntarily Early Leave Pay	2,693	4,471	(1,664)	-	**5,500**
Provision for expected claims	7,310	1,444	(72)	(1,313)	**7,369**
	26,149	5,915	(7,002)	(2,209)	**22,853**

19 CREDIT FACILITY

The Company was granted a revolving credit facility amounting to KEGP 700 M from HSBC (Mandated Lead Arranger & Facility Agent), National Societe Generale Bank and Piraues Bank to be repaid after five years from the signing date of the contract with an interest rate on the drawn amounts to be calculated based on the interest rate granted by the HSBC to customers for three months deposit / (1 – Central Bank of Egypt reserve requirements).

The credit facility balance as of 31 December 2008 amounted to KEGP 122,300 (exclusive interests) The Company has the right to repay all or part of the amounts drawn.

20 DUE TO RELATED PARTIES

	2008	2007
	KEGP	KEGP
Alexandria Portland Cement Company	**10,568**	-
Titan Cement Company S A	**1,049**	176
	11,617	176

21 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2008	2007
	KEGP	KEGP
Accrued expenses	**24,304**	14,619
Advances from customers	**51,166**	18,844
Tax authority	**34,479**	10,993
Sundry creditors	**482**	1,403
Deposits from others	**2,515**	27
Social insurance authority	**139**	88
	113,085	45,974

22 SALES, NET

	2008	2007
	KEGP	KEGP
Cement sales (domestic)	**636,622**	473,216
Bags sales	**-**	576
	636,622	473,792

23 COST OF SALES

	2008	2007
	KEGP	KEGP
Salaries and wages	**35,860**	25,169
Energy cost	**108,147**	64,064
Materials cost	**89,089**	51,212
Depreciation and amortization	**57,784**	74,937
Maintenance	**7,218**	5,414
Other fixed costs	**17,342**	17,293
Spare parts	**16,593**	15,334
Royalties	**37,200**	-
Transport services	**3,896**	3,238
Change in inventory	**(7,678)**	6,560
	365,451	263,221

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24 GENERAL AND ADMINISTRATIVE EXPENSES

	2008 KEGP	2007 KEGP
Salaries	**15,503**	10,083
Professional fees and other expenses	**6,579**	6,432
Travelling and entertainment expenses	**242**	735
Other administrative expenses	**6,044**	5,595
Depreciation and amortization	**3,752**	2,251
	32,120	25,096

25 OTHER INCOME

	2008 KEGP	2007 KEGP
Scrap sales	**1,133**	4,264
Others	**2,717**	1,191
	3,850	5,455

26 COMMITMENTS

	Current portion KEGP	From 1to 5 years KEGP	More than 5 years KEGP	Total KEGP
Future purchase commitments:				
Gas supply	64,374	343,260	1,158,505	**1,566,139**

The purchase commitment amounting to KEGP 1,566,139 represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the Company.

27 CONTINGENT LIABILITIES

The Letters of guarantee issued at the Company's request by National Societe General Bank in favour of third parties as of 31 December 2008 amounted to KEGP 380,128, whereas, the cash margin of these letters amounted to KEGP 5,523 as follows:

	Amount in currency	Equivalent in KEGP	Cash margin KEGP
Letters of guarantee - Egyptian pound	105,523	105,523	5,523
Letters of guarantee - Euro	25,000	191,880	-
Letters of guarantee - US Dollar	15,000	82,725	-
		380,128	**5,523**

28 TAX SITUATION

a) Corporate taxes

The Company enjoyed a tax holiday for ten years ended on 30 June 2004.

The Company's records were inspected till the year 2003. The Company objected on the assessment and the issue is currently in the Internal Committee.

The Company's records were inspected for the year 2004 and the taxes due were settled.

The Company's records are currently being inspected for the year 2005.

No tax inspection took place for the Company's records for the years 2006 and 2007.

b) Sales taxes

The Company's records were inspected till the year 2006 and the taxes due were paid.

No tax inspection took place for the Company's records for the year 2007.

c) Salary taxes

The Company's records were inspected till the year 2000 and the taxes due were paid.

The Company's records are currently being inspected for the years from 2001 till 2004.

No tax inspection took place for the Company's records for the years from 2005 till 2007.

d) Stamp duty taxes

The Company's records were inspected till the year 2005 and the taxes due were paid.

No tax inspection took place for the Company's records for the years 2006 and 2007.

29 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instruments

The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash at banks, accounts receivable, due from related parties and other debit balances. The financial liabilities include bank overdraft, credit facility, accounts payable, due to related parties, , long term loan, other non- current liabilities 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 the notes to the financial statements.

b) Foreign currency risk

The 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. The total financial assets denominated in foreign currencies amount to KEGP 1,510, whereas, the total financial liabilities denominated in foreign currencies amount to KEGP 326,105.

c) Fair Value for financial instruments

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

Financial assets consist of bank balances, due from related parties and other debit balances. Financial liabilities consist of long term loans, other long term liability, credit facility , trade payables and other credit balances. 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.

d) 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.

e) **Liquidity risk**
The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facility, and bank loans.

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

	Less than 6 months	*6 to 12 months*	*1 to 5 Years*	*More than 5 years*	*Total*
	KEGP	*KEGP*	*KEGP*	*KEGP*	*KEGP*
Year Ended 31 December 2008:					
Trade and other payables	151,375	-	-	-	151,375
Other non current liabilities	-	-	3,010	-	3,010
Borrowings	-	152,735	152,175	30,434	335,344
	151,375	**152,735**	**155,185**	**30,434**	**489,729**
Year Ended 31 December 2007:					
Trade and other payable	135,950	-	-	-	135,950
Other non current liabilities	-	-	5,016	-	5,016
Borrowings	54,035	12,309	98,477	73,858	238,679
	189,985	**12,309**	**103,493**	**73,858**	**379,645**

30 EARNINGS PER SHARE

Earnings per share were calculated by dividing the net profits for the year by the number of shares outstanding that were not changed during the year without taking into consideration any future distributions to the Company's employees and board of directors relating to the year ended 31 December 2008. Earnings per share amounted to EGP 3.02.

31 DIVIDENDS

In accordance with the resolution of the Annual Assembly meeting held on 26 June 2008, the Company has declared dividends to shareholders amounted to KEGP 80,594 which was paid during July 2008.

32 RELATED PARTY TRANSACTIONS

a) Total expenses charged to the Company by Titan during the year ended 31 December 2008 amounted to KEGP 3,408 included in the general and administrative expenses.

b) Total interest expenses charged to the Company by Alexandria Portland Cement Company during the year ended 31 December 2008 amounted to KEGP 642 which is capitalized as part of the new second line construction.

c) During 2008, in accordance with the resolution of the general assembly meeting held on 26 June 2008 the Company received dividends amounting to KEGP 14,493 from Alexandria Portland Cement Company.

d) During 2008, in accordance with the resolution of the general assembly meeting held on 26 June 2008 the Company paid dividends amounted to KEGP 4,030 to Alexandria Portland Cement Company

33 COMPARATIVE FIGURES

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