

**ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)  
SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009  
TOGETHER WITH 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 2009, 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 SA** group reporting purposes amounting to € 3,100K. 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 2009, 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 (C.S.A.)

Fellow of the Egyptian Association of Accountants and Auditors

R.A.A. 15058 A Member of

Cairo, 1 February 2010



Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF INCOME

For The Year Ended 31 December 2009

	Note	2009 KEGP	2008 KEGP
Sales	(3)	998,977	732,886
Cost of sales	(4)	(657,644)	(448,171)
<b>GROSS PROFIT</b>		<b>341,333</b>	<b>284,715</b>
General and administrative expenses	(5)	(18,968)	(25,035)
Other operating income	(6)	3,326	8,395
Provisions		(3,600)	(7,658)
Provision no longer required		10,349	11,484
Allowance for other debit balances		-	(1,182)
Other operating expenses		(1,176)	(17,864)
<b>OPERATING PROFITS</b>		<b>331,264</b>	<b>252,855</b>
Financing Expense		(5,140)	(32,058)
Dividends Income		10,795	4,030
Finance Income		9,784	14,821
Loss /gain from sale of property, plant and equipment		(19)	2,266
Foreign exchange		1,006	(100)
<b>NET PROFIT BEFORE INCOME TAXES</b>		<b>347,690</b>	<b>241,814</b>
Deferred income tax expense		(7,611)	(10,040)
Income tax expenses		(58,128)	(37,903)
<b>NET PROFIT</b>		<b>281,951</b>	<b>193,871</b>
<b>EARNINGS PER SHARE</b>	(28)	<b>23.38</b>	<b>16.07</b>

- The accompanying notes from (1) to (32) are an integral part of these financial statements.

Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2009

	2009	2008
	KEGP	Restated KEGP
<b>NET PROFIT</b>	<b>281,951</b>	<b>193,871</b>
Asset revaluation surplus	-	1,099,991
<b>NET OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>1,099,991</b>
<b>NET COMPREHENSIVE INCOME</b>	<b>281,951</b>	<b>1,293,862</b>

- The accompanying notes from (1) to (32) are an integral part of these financial statements.

# Alexandria Portland Cement Company (S.A.E)

## SEPARATE BALANCE SHEET

At 31 December 2009

	Note	2009	2008 Restated
		KEGP	KEGP
<b>Non-current assets</b>			
Property, plant and equipment,	(7)	2,001,083	1,995,773
Projects under construction	(8)	54,530	78,386
Held to maturity investments		359	359
Investment in subsidiary, net	(9)	75,960	75,960
Available-for-sale investment	(10)	30,836	30,836
Intangible assets, net	(11)	4,287	4,628
		<u>2,167,055</u>	<u>2,185,942</u>
<b>Current assets</b>			
Inventories, net	(12)	136,838	137,224
Accounts receivable	(13)	198	198
Due from related parties	(14 a)	45,627	10,568
Short term loan receivable- Intercompany	(15)	256,170	-
Prepayments and other debit balances	(16)	37,474	35,813
Cash on hand and at banks	(17)	14,382	39,577
		<u>490,689</u>	<u>223,380</u>
<b>Total assets</b>		<u>2,657,744</u>	<u>2,409,322</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued and paid up capital	(18)	120,575	120,575
General reserve		372,454	372,454
Legal reserve		50,558	40,097
Retained earnings		102,559	9,738
Net profits		281,951	193,871
Revaluation reserve		1,080,516	1,099,991
<b>Total equity</b>		<u>2,008,613</u>	<u>1,836,726</u>
<b>Non-current liabilities</b>			
Other non-current liability		1,028	1,856
Provisions	(20)	10,023	17,657
Deferred tax liabilities	(19)	304,309	296,697
		<u>315,360</u>	<u>316,210</u>
<b>Current liabilities</b>			
Short term loan payable - subsidiary	(21)	45,620	60,420
Accounts payable	(22)	40,536	29,382
Due to related parties	(14 b)	6,016	957
Notes payable		2,380	10,934
Accrued expenses and other credit balances	(22)	238,891	154,365
Dividends payable		328	328
		<u>333,771</u>	<u>256,386</u>
<b>Total equity and liabilities</b>		<u>2,657,744</u>	<u>2,409,322</u>

  
Chief Financial Officer

  
Chief Executive Officer

- The accompanying notes from (1) to (32) are an integral part of these financial statements.
- Audit report attached

**Alexandria Portland Cement Company (S.A.E)**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
**For The Year Ended 31 December 2009**

	Issued Capital KEGP	General Reserve KEGP	Legal reserve KEGP	Retained earnings KEGP	Net profit KEGP	Revaluation reserve KEGP	Total KEGP
<b>At 1 January 2008</b>	120,575	373,829	31,296	-	172,010	-	697,710
Transfer to retained earnings and legal reserve	-	-	8,801	163,209	(172,010)	-	-
Dividends paid	-	(1,375)	-	(163,209)	-	-	(164,584)
Other comprehensive income	-	-	-	-	-	1,218,253	1,218,253
Revaluation adjustment	-	-	-	9,738	-	(9,738)	-
Net profit for the year	-	-	-	-	193,871	-	193,871
<b>At 31 December 2008</b>	<b>120,575</b>	<b>372,454</b>	<b>40,097</b>	<b>9,738</b>	<b>193,871</b>	<b>1,208,515</b>	<b>1,945,250</b>
Prior period adjustment (note 31)	-	-	-	-	-	(108,524)	(108,524)
<b>At 31 December 2008 as restated</b>	<b>120,575</b>	<b>372,454</b>	<b>40,097</b>	<b>9,738</b>	<b>193,871</b>	<b>1,099,991</b>	<b>1,836,726</b>
<b>At 1 January 2009</b>	120,575	372,454	40,097	9,738	193,871	1,099,991	1,836,726
Transfer to retained earnings and legal reserve	-	-	10,461	183,410	(193,871)	-	-
Net profit for the year	-	-	-	-	281,951	-	281,951
Depreciation transfer for land and building	-	-	-	19,475	-	(19,475)	-
Dividends declared and paid (note 29)	-	-	-	(110,064)	-	-	(110,064)
<b>At 31 December 2009</b>	<b>120,575</b>	<b>372,454</b>	<b>50,558</b>	<b>102,559</b>	<b>281,951</b>	<b>1,080,516</b>	<b>2,008,613</b>

Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF CASH FLOWS

At 31 December 2009

	Note	2009	2008
		KEGP	KEGP
<b>OPERATING ACTIVITIES</b>			
Net Profit before tax		347,690	241,814
<b>Adjustments to reconcile profit before tax to net cash flows</b>			
<b>Non- Cash:</b>			
Depreciation and amortization		47,937	50,409
Finance cost		5,140	32,058
Interest income		(9,784)	(14,821)
Provisions		3,600	7,658
Provision used		(885)	(3,645)
Provision no longer required		(10,349)	(11,484)
Movement in provisions for slow moving inventory		(2,703)	-
Allowance for other debit Balance		-	(1,182)
Dividends income		(10,795)	(15,028)
Write down of inventory		-	1,366
Loss (gain) on sale of property, plant and equipment		19	(2,266)
<b>Operating profit before working capital changes</b>		<b>369,871</b>	<b>284,879</b>
Time deposit		(475)	(1,641)
Change in inventories		3,089	(17,114)
Change in due from related parties		(35,059)	4,809
Change in short term loan receivable- Intercompany		(256,170)	-
Change in prepayments and other debit balances		(1,661)	11,824
Change in accounts payable		11,154	(12,745)
Change in notes payable		(8,554)	10,934
Change in due to related parties		5,060	(13,583)
Change in accrued expenses and other credit balances		67,296	53,344
Interest received		9,784	14,686
Interest paid		(5,140)	(31,617)
Tax paid		(40,896)	(12,618)
<b>NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES</b>		<b>118,399</b>	<b>291,158</b>
<b>INVESTING ACTIVITIES</b>			
Transfer from projects under construction		(53,198)	-
Investment in subsidiaries		-	(74,460)
Proceeds from sale of property, plant & equipments		271	2,434
Projects under construction		23,856	(58,863)
Sales tax installment		(828)	(633)
Dividends received		10,795	15,028
<b>NET CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		<b>(19,205)</b>	<b>(116,494)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(110,064)	(164,584)
Loan from intercompany		-	60,420
Repayment of long term loans		(14,800)	(359,282)
<b>NET CASH FLOWS (USED IN) FINANCING ACTIVITIES</b>		<b>(124,864)</b>	<b>(463,446)</b>
<b>Net (decrease) in cash and cash equivalent</b>		<b>(25,670)</b>	<b>(288,782)</b>
Cash and cash equivalent at 1 January		37,936	326,718
<b>CASH AND CASH EQUIVALENT</b>	(17)	<b>12,266</b>	<b>37,936</b>

- The accompanying notes from (1) to (32) are an integral part of these financial statements.



Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF CASH FLOWS

At 31 December 2009

For the purpose of preparing the statement of cash flow, the cash and cash equivalent comprise of the following:

	Note	2009 KEGP	2008 KEGP
Cash on hand and at banks	(17)	14,382	39,577
Less:			
Reserved Time deposits		(2,116)	(1,641)
		<u>12,266</u>	<u>37,936</u>

# Alexandria Portland Cement Company (S.A.E)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

### 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.

#### **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 separate financial statements of the company for the year ended 31 December 2009 have been presented in Egyptian pounds, prepared in accordance with the *International Financial Reporting Standards* and all values are rounded to the nearest thousands except when otherwise indicated.

**2-2 Changes in accounting policies**

The accounting policies adopted in the preparation of the separate financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2008, except for the adoption of new standards and interpretations as of 1 January 2009, noted below:

- **IAS 1 Revised presentation of Financial statements**

The revised standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company elected to present two statements.

- **IFRS 7 Financial Instruments: Disclosures**

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

**2-3 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.

Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

**2-4 Property, plant and equipment and depreciation**

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
Buildings	Up to 50 years
Machinery and equipment	Up to 40 years
Vehicles	5 to 15 years
Furniture and office equipment	3 to 10 years

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.

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.

**2 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**2 – 5 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 less impairment.

**2 – 6 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

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 – 7 Held to maturity investments**

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.

Held to maturity investments are initially recognized at fair value inclusive direct attributable expenses.

After initial recognition, the held to maturity investments are measured at amortized cost using the effective interest method less impairment. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, impairment is recovered, as well as through the amortization process.

Held to maturity investments represents investments in governmental bonds that are held to maturity.

**2 – 8 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 – 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. 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 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**2 – 10 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market; such financial assets are carried at amortized cost using the effective interest rate method.

**2 – 11 Inventories**

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.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in cost of sales in the statement of income in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of income in the period in which the reversal occurs.

**2 – 12 Accounts receivable and other debit balances**

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

Impairment losses are measured as the difference between the receivables carrying amount and the present value of estimated future cash flows. The impairment loss is recognized in the statement of income. Reversal of impairment is recognized in the statement of income in the period in which it occurs.

**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 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**2 – 14 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 – 15 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. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in the income statement.

**2 SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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 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 – 17 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 – 18 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 – 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 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 – 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 SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

3 SALES, NET

	2009 KEGP	2008 KEGP
Cement sales (domestic)	996,061	732,599
Rendered services	2,916	287
	<u>998,977</u>	<u>732,886</u>

4 COST OF SALES

	2009 KEGP	2008 KEGP
Depreciation	45,299	45,842
Slow moving inventory	4,711	31
Distribution cost	5,166	552
Variable cost	438,896	258,738
Fixed cost	73,388	76,786
Packing cost	71,472	68,139
Inventory change	(6,501)	(1,917)
Cost of trading goods	25,213	-
	<u>657,644</u>	<u>448,171</u>

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 KEGP	2008 KEGP
Administrative expenses	10,781	16,242
Selling and marketing expenses	4,312	4,226
VELP	1,237	-
Depreciation and amortization	2,638	4,567
	<u>18,968</u>	<u>25,035</u>

6 OTHER INCOME

	2009 KEGP	2008 KEGP
Scrap sales	1,016	1,457
Accruals no longer required	2,309	5,030
Other	1	1,908
	<u>3,326</u>	<u>8,395</u>

Alexandria Portland Cement Company (S.A.E)  
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS  
 At 31 December 2009

7 PROPERTY, PLANT AND EQUIPMENT, NET

	Land		Lease hold improvement		Buildings		Machinery and equipment		Vehicles		Furniture and Office equipment		Total	
	KEGP		KEGP		KEGP		KEGP		KEGP		KEGP		KEGP	
<b>Cost</b>														
At 1 January 2009	553,265		23,159		297,414		1,137,858		18,505		18,386		2,048,587	
Transfer from projects under construction	-		35		3,366		46,587		-		1,534		51,522	
Transfer to intangible assets	-		-		-		-		-		(276)		(276)	
Disposals	-		-		-		-		(250)		(18)		(268)	
Write off	-		-		-		-		-		(3,163)		(3,163)	
At 31 December 2009	553,265		23,194		300,780		1,184,445		18,255		16,463		2,096,402	
<b>Accumulated depreciation</b>														
At 1 January 2009	-		1,751		4,289		16,470		15,770		14,534		52,814	
Depreciation	-		478		8,756		34,317		682		1,555		45,788	
Related to transfers	-		-		-		-		-		(142)		(142)	
Related to Disposals	-		-		-		-		(167)		(18)		(185)	
Related to write off	-		-		-		-		-		(2,956)		(2,956)	
At 31 December 2009	-		2,229		13,045		50,787		16,285		12,973		95,319	
<b>Net book value at 31 December 2009</b>	<b>553,265</b>		<b>20,965</b>		<b>287,735</b>		<b>1,133,658</b>		<b>1,970</b>		<b>3,490</b>		<b>2,001,083</b>	
<b>Net book value at 31 December 2008</b>	<b>553,265</b>		<b>21,408</b>		<b>293,125</b>		<b>1,121,388</b>		<b>2,735</b>		<b>3,852</b>		<b>1,995,773</b>	

- There is no mortgage over the property, plant and equipments.

- The company has revalued its land, building and machinery in May 2008 using an independent valuator 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. Building and machinery valuation is based on recent market quotes for construction of new similar production line adjusted for production capacity and years of operation of the company's building and machinery.



Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

8 PROJECTS UNDER CONSTRUCTION

	2009 KEGP	2008 KEGP
Beginning balance	78,386	71,449
Additions	29,423	58,863
Transferred to property , plant and equipment and intangible assets	(53,196)	(50,560)
Disposals	(83)	(1,366)
Ending balance	<u>54,530</u>	<u>78,386</u>

9 INVESTMENT IN SUBSIDIARIES

	Ownership %	2009 KEGP	2008 KEGP
Ttian Beton & Aggregates Egypt L.L.C.	96.54%	77,230	77,230
Impairment loss		(1,270)	(1,270)
		<u>75,960</u>	<u>75,960</u>

10 AVAILABLE-FOR-SALE INVESTMENT

	Ownership %	2009 KEGP	2008 KEGP
Beni Suef Cement Company S.A.E	5%	30,836	30,836
		<u>30,836</u>	<u>30,836</u>

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

11 INTANGIBLE ASSETS, NET

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

	2009 KEGP	2008 KEGP
<b>Cost</b>		
Beginning balance	11,079	3,581
Transfers from projects under construction	1,674	-
Transferred from property, plant & equipment	276	7,498
Ending balance	<u>13,029</u>	<u>11,079</u>
<b>Accumulated amortization</b>		
Beginning balance	6,451	2,319
Related to transfers	142	-
Amortization	2,149	4,132
Ending balance	<u>8,742</u>	<u>6,451</u>
<b>Net book value</b>	<u>4,287</u>	<u>4,628</u>

# Alexandria Portland Cement Company (S.A.E)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

### 12 INVENTORIES, NET

	2009 KEGP	2008 KEGP
Raw materials	13,707	12,751
Consumable stores	172	164
Spare parts and supplies	118,449	127,813
Packing materials	4,088	5,278
Semi finished goods	10,988	8,373
Finished goods	4,808	922
	<u>152,212</u>	<u>155,301</u>
Decline in value of spare parts	(15,374)	(18,077)
Total inventories at the lower of cost or net realizable value	<u>136,838</u>	<u>137,224</u>

### 13 ACCOUNTS RECEIVABLE

	2009 KEGP	2008 KEGP
Accounts receivable	198	198
	<u>198</u>	<u>198</u>

### 14 DUE FROM / TO RELATED PARTIES

#### A) DUE FROM RELATED PARTIES

		2009 KEGP	2008 KEGP
Beni Suef Cement Company	Current	38,275	10,568
Beni Suef Cement Company	Interest	7,352	-
		<u>45,627</u>	<u>10,568</u>

#### B) DUE TO RELATED PARTIES

		2009 KEGP	2008 KEGP
Titan Beton & Aggregates Egypt L.L.C	Current	408	487
Titan Beton & Aggregates Egypt L.L.C	Interest	5,608	470
		<u>6,016</u>	<u>957</u>

### 15 SHORT-TERM LOAN - INTERCOMPANY

	2009 KEGP	2008 KEGP
Loan to Beni Suef Cement Company S.A.E	256,170	-
	<u>256,170</u>	<u>-</u>

The Company entered in a short-term loan agreement with Beni Suef Cement Company S.A.E. to provide it with L.E 256 Millions, the loan carrying an annual interest rate of 8.75%.

Beni Suef Cement Company S.A.E. has withdrawn the total loan value starting from March 2009 through December 2009. APCC started to calculate interest income on this loan based on the value and date of withdrawals.

# Alexandria Portland Cement Company (S.A.E)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

### 16 PREPAYMENTS AND OTHER DEBIT BALANCES

	2009 KEGP	2008 KEGP
Tax receivables	7,700	6,495
Letter of guaranties' cash margin	338	360
Prepaid expenses	4,675	4,494
Advances to suppliers	9,235	11,416
Deposits with others	5,720	5,849
Customs Authority	6,122	4,940
Accrued interest	14	19
Other debit balances	5,076	3,646
Less: decline in value of other debt balances	(1,406)	(1,406)
	<u>37,474</u>	<u>35,813</u>

### 17 CASH AND SHORT-TERM DEPOSITS

	2009 KEGP	2008 KEGP
<b>a) Egyptian pound</b>		
Cash on hand	70	30
Current accounts	9,601	24,165
Time deposits	2,542	13,741
	<u>12,213</u>	<u>37,936</u>
<b>b) Foreign currency</b>		
Current accounts	53	-
Cash and cash equivalent	12,266	37,936
	<u>12,319</u>	<u>37,936</u>
Reserved time deposits	2,116	1,641
Cash at banks	14,382	39,577
	<u>16,498</u>	<u>41,218</u>

The time deposits held with Bank of Alexandria and National Société General Bank of LE 2,116 are reserved against letter of guarantees issued by the company in favour of third parties (note 25).

### 18 CAPITAL

The Company's authorized capital amounts to EGP 200 millions, while the Company's issued and paid up capital amounts to KEGP 120,574 divided over 12,057,470 shares of par value L.E 10 each as follows:

Name	No. of shares	Percentage %	Nominal Value EGP
Alexandria development ltd	10614137	88.030%	106,141,370
BSCC	581788	4.825 %	5,817,880
East Cement Trade Limited	480000	3.981%	4,800,000
IAP ETOS Limited	107470	0.891%	1,074,700
Others	274075	2.273%	2,740,750
	<u>12,057,470</u>	<u>100</u>	<u>120,574,700</u>

# Alexandria Portland Cement Company (S.A.E)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

### 19 DEFERRED TAX LIABILITIES

	2009 Asset KEGP	2009 Liability KEGP	2008 Asset KEGP	2008 Liability KEGP
Revaluation surplus	-	272,559	-	274,995
Depreciation and amortization	-	26,285	-	54,387
Intercompany interest loan	-	-	15,206	-
Provisions	-	5,465	17,479	-
	-	<u>304,309</u>	<u>32,685</u>	<u>329,382</u>
Net deferred income tax liability		<u>304,309</u>		<u>296,697</u>

### 20 PROVISIONS

	Balance 1 January 2009 KEGP	Charged KEGP	Used KEGP	No longer required KEGP	Balance 31 December 2009 KEGP
Provision for litigation	1,963	-	(150)	(50)	1,763
Other provisions	15,694	3,600	(735)	(10,299)	8,260
	<u>17,657</u>	<u>3,600</u>	<u>(885)</u>	<u>(10,349)</u>	<u>10,023</u>

### 21 SHORT-TERM LOAN - SUBSIDIARY

	2009 KEGP	2008 KEGP
Loan from Titan Beton & Aggregates Egypt L.L.C	<u>45,620</u>	<u>60,420</u>
	<u>45,620</u>	<u>60,420</u>

On November 2008 Titan Beton and Aggregate Egypt L.L.C issued a short term loan to the company valued at LE 45,620,000 to settle all company remaining loans and obligation.

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

### 22 ACCOUNTS PAYABLE

	2009 KEGP	2008 KEGP
Accounts payable- Egyptian pounds	33,907	27,738
Accounts payable- Foreign currency	6,629	1,644
	<u>40,536</u>	<u>29,382</u>

Accounts payables are non-interest bearing and are normally settled on 90-day term.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

23 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2009	2008
	KEGP	KEGP
Accrued expenses	22,719	33,510
Advance from customers	141,107	64,591
Social securities	156	133
Tax authority	59,845	43,248
Payroll tax	905	460
Accrued development fees	6,149	6,834
Profit share to employees	-	1,532
Accrued interest	-	441
Other credit balances	8,010	3,616
	<u>238,891</u>	<u>154,365</u>

24 COMMITMENTS

	Current portion	From 1 to 5	More than 5	Total
	KEGP	years	years	KEGP
	KEGP	KEGP	KEGP	KEGP
Future purchase commitments:				
Gas supply	<u>28,641</u>	<u>114,566</u>	<u>212,424</u>	<u>355,631</u>

The purchase commitment amounting to KEGP 355,631 represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the company.

25 CONTINGENT LIABILITIES

The Letters of guarantee issued at the Company's request by Bank of Alexandria, National Société General Bank, HSBC Bank and Cairo Bank in favour of third parties as of 31 December 2009 amounted to KEGP 2,554, whereas, the cash margin of these letters amounted to KEGP 2,454 as follows:

	Amount in	Equivalent in	Cash margin
	currency	KEGP	KEGP
Bank of Alexandria	1,885	1,885	1,885
National Socity General	338	338	338
HSBC	100	100	-
Cairo Bank	231	231	231

**26 TAX SITUATION**

**a) Corporate taxes**

- The company is regularly presenting the annual tax returns on the statutory due dates.
- All dispute points with the tax authority till 31 December 2001 have been resolved and tax dues were paid.
- For the years from 2002 till 2003 the company's books were inspected by the tax authority dispute points were solved.
- For the years 2004 the books were inspected and disputed points have been transferred to an internal committee.
- No tax inspection took place for the years 2005-2007

**b) Sales taxes**

- 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 2008 the company's books were inspected and all tax dues were settled.
- Blue Circle books were inspected by the Tax Authority till 2006 and tax dispute were transferred is under inspection.

**c) Salary taxes**

- 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 company was inspected from 2000 till 2004 and all tax dues were settled.
- For the years 2005 and 2006 the books were inspected and disputed points have been transferred to an internal committee.
- No tax inspection took place since 2007 till now.
- Blue circle books were inspected till 2004

**d) Stamp duty taxes**

- The company's books were inspected up to year 2004 and all tax dues were paid.
- For the years 2005 and 2006 stamp tax were inspected and the company is preparing for Internal Committee
- Blue Circle books inspected up to year 2004.

**e) Real estate tax**

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

27 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 separate 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 8,298, whereas, the total financial liabilities denominated in foreign currencies amount to KEGP 12,258.

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 2009 based on contractual payment dates:

	<i>Less than 6 months EGP'000</i>	<i>6 to 12 months EGP'000</i>	<i>1 to 5 Years EGP'000</i>	<i>More than 5 years EGP'000</i>	<i>Total 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
	<u>-</u>	<u>256,056</u>	<u>2,184</u>	<u>-</u>	<u>258,240</u>
<u>Year Ended 31 December 2009:</u>					
Trade and other payables	5,353	33,197	1,986	-	40,536
Borrowings	-	-	45,620	-	45,620
	<u>5,353</u>	<u>33,197</u>	<u>47,606</u>	<u>-</u>	<u>86,156</u>

# Alexandria Portland Cement Company (S.A.E)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

### 28 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 2009. Earnings per share amounted to EGP 23.3.

### 29 DIVIDENDS PAID

In accordance with the resolution of the Annual Assembly meeting held 31 March 2009, the Company has declared dividends to shareholders amounted to KEGP 110,064 which was paid during June 2009.

### 30 RELATED PARTY TRANSACTIONS

- a) Total interest revenue from Beni Suef Cement Company during year amounted to KEGP 7,353
- b) During 2009, in accordance with the resolution of the general assembly meeting held on 30 June 2009 the Company received dividends amounting to KEGP 10,795 from Beni Suef Cement Company.
- c) During 2009, in accordance with the resolution of the general assembly meeting held on 30 June 2009 the Company paid dividends amounted to KEGP 9,694 to Beni Suef Cement Company.
- d) Interest expense to Titan Beton amounting to KEGP 5,608.
- e) The company has purchased clinker from Titan Cement Company S.A amounting to KEGP 45,425

### 31 PRIOR YEAR ADJUSTMENT

Prior year adjustment represents deferred tax on revaluation reserve for land which calculated at 20% of the revaluation reserve for land amounted to KEGP 108,524.

### 32 COMPARATIVE FIGURES

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