

**ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
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 2010, 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 € 1,913K. 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.

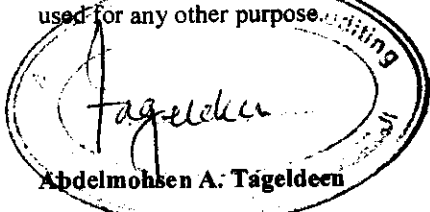
Opinion

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 2010, 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.

This report is intended solely for the use of the Company and the ultimate Parent Company and should not be used for any other purpose.



Abdelmohsen A. Tageldeen

Certified Public Accountant (USA)

Fellow of the Egyptian Association of Accountants and Auditors

R.A.A. 15058

Cairo: 12 February 2011

Alexandria Portland Cement Company (S.A.E)

SEPARATE INCOME STATEMENT

For The Year Ended 31 December 2010

	Notes	2010 KEGP	2009 KEGP
Sales of goods	(3)	1,102,805	998,977
Cost of sales	(4)	(723,596)	(657,644)
Gross profit		379,209	341,333
Other operating income	(5)	14,289	3,326
Administrative expenses	(6)	(23,089)	(17,731)
Other operating expenses		(11,600)	(2,413)
Provisions		(4,312)	(3,600)
Provisions no longer required		1,957	10,349
Gain (Loss) from sale of property, plant and equipment		210	(19)
Foreign exchange		(77,227)	1,006
Operating profits		279,437	332,251
Finance cost	(7)	(9,201)	(5,140)
Finance income		14,666	9,784
Investments income		10,686	10,795
Profit before tax		295,588	347,690
Deferred tax expense	(8)	(16,289)	(7,611)
Income tax expense	(8)	(54,139)	(58,128)
Profit for the year		225,160	281,951
Earnings per share	(31)	1.21	23.38

- The accompanying notes from (1) to (35) 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 2010

	2010	2009
	KEGP	KEGP
Profit for the year	225,160	281,951
Comprehensive income for the year, net of tax	<u>225,160</u>	<u>281,951</u>

There are no other components of comprehensive income during the year ended 31 December 2010. Hence, the total comprehensive income is equal to the profit for the year.

- The accompanying notes from (1) to (35) are an integral part of these financial statements.

Alexandria Portland Cement Company (S.A.E)

SEPARATE FINANCIAL POSITION

At 31 December 2010

	Notes	2010 KEGP	2009 KEGP
Assets			
Non-current assets			
Property, plant and equipment	(9)	2,022,902	2,001,083
Construction in progress	(10)	20,800	54,530
Intangible assets	(11)	4,094	4,287
Held-to-maturity investments		359	359
Investment in subsidiaries	(12)	3,241,656	75,960
Available-for-sale investments	(13)	-	30,836
		<u>5,289,811</u>	<u>2,167,055</u>
Current assets			
Inventories, net	(14)	147,572	136,838
Accounts receivable	(15)	198	198
Due from related parties	(16 a)	113,470	45,627
Short term loan receivable- Intercompany	(17)	23,500	256,170
Prepayments and other receivables	(18)	53,933	37,136
Cash and short-term deposits	(19)	199,660	14,720
		<u>538,333</u>	<u>490,689</u>
Total assets		<u>5,828,144</u>	<u>2,657,744</u>
Equity and liabilities			
Equity			
Issued capital	(20)	2,570,575	120,575
Legal reserve		60,287	50,558
General reserve		372,454	372,454
Retained earnings		191,138	102,559
Profit for the year		225,160	281,951
Assets revaluation reserve		1,061,040	1,080,516
Total equity		<u>4,480,654</u>	<u>2,008,613</u>
Non-current liabilities			
Long term loans- intercompany	(21)	760,013	-
Other non-current liability		296	1,028
Provisions	(22)	11,379	10,023
Deferred tax liability	(8)	320,599	304,309
		<u>1,092,287</u>	<u>315,360</u>
Current liabilities			
Trade payables	(23)	60,385	40,536
Advances from customers		88,866	141,107
Accrued expenses and other payables	(24)	45,651	39,657
Income tax payable	(8)	54,140	58,127
Due to related parties	(16 b)	5,853	6,016
Notes payable		-	2,380
Short term loan payable - subsidiary	(26)	-	45,620
Dividends payable		308	328
		<u>255,203</u>	<u>333,771</u>
Total equity and liabilities		<u>5,828,144</u>	<u>2,657,744</u>


Chief Financial Officer


Chief Executive Officer

- The accompanying notes from (1) to (35) are an integral part of these financial statements.
- Audit report attached

SEPARATE STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2010

	Issued Capital KEGP	Legal reserve KEGP	General Reserve KEGP	Retained earnings KEGP	Profit for the year KEGP	Revaluation reserve KEGP	Total Equity KEGP
As at 1 January 2009	120,575	40,097	372,454	9,738	193,871	1,099,991	1,836,726
Transfer to legal reserve	-	10,461	-	(10,461)	-	-	-
Transfer to retained earnings	-	-	-	193,871	(193,871)	-	-
Dividends declared and paid	-	-	-	(110,064)	-	-	(110,064)
Depreciation transfer for land and building	-	-	-	19,475	-	(19,475)	-
Profit for the year	-	-	-	-	281,951	-	281,951
At 31 December 2009	120,575	50,558	372,454	102,559	281,951	1,080,516	2,008,613
As at 1 January 2010	120,575	50,558	372,454	102,559	281,951	1,080,516	2,008,613
Increase in capital	2,450,000	-	-	-	-	-	2,450,000
Transfer to legal reserve	-	9,729	-	(9,729)	-	-	-
Transfer to retained earnings	-	-	-	281,951	(281,951)	-	-
Dividends declared and paid (note 32)	-	-	-	(203,119)	-	-	(203,119)
Depreciation transfer for land and building	-	-	-	19,476	-	(19,476)	-
Profit for the year	-	-	-	-	225,160	-	225,160
At 31 December 2010	2,570,575	60,287	372,454	191,138	225,160	1,061,040	4,480,654

Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2010

	Note	2010 KEGP	2009 KEGP
Operating activities			
Profit before tax		295,588	347,690
Non- Cash adjustments to reconcile profit before tax to net cash flows			
Depreciation of property, plant and equipment		46,805	45,788
Amortization of intangible assets		1,629	2,149
Finance cost		9,201	5,140
Finance income		(14,666)	(9,784)
Movement in provision		1,356	(7,634)
Movement in provisions for slow moving inventory		242	(2,703)
Dividends income		(10,686)	(10,795)
Gain on disposal of property, plant and equipment		(210)	19
Unrealized forex		74,821	-
		<u>404,080</u>	<u>369,870</u>
Working capital adjustments:			
Change in reserved in time deposits		1,394	(497)
Change in inventories		(15,476)	3,089
Change in due from related parties		(55,477)	(35,059)
Change in short term loan receivable- Intercompany		232,670	(256,170)
Change in prepayments and other receivables		(16,491)	(1,639)
Change in trade payables		19,849	11,154
Change in notes payables		(2,380)	(8,554)
Changes in advance from customers		(52,241)	76,516
Change in accrued expenses and other payables		5,994	(9,220)
Change in due to related parties		(287,831)	5,060
		<u>234,091</u>	<u>154,550</u>
Interest received		1,994	9,784
Income tax paid		(58,126)	(40,896)
Net cash flows from operating activities		<u>177,959</u>	<u>123,438</u>
Investing activities			
Proceeds from sale of property, plant & equipment		454	271
Project under construction		(32,074)	(29,342)
Sales tax installment		(732)	(828)
Dividends received		10,686	10,795
Net cash flows (used in) investing activities		<u>(21,666)</u>	<u>(19,104)</u>
Cash flows from financing activities			
Dividends paid		(203,139)	(110,064)
Increase in paid up capital		293,276	-
Repayment of long term loans		(45,620)	(14,800)
Interest paid		(14,809)	(5,140)
Net cash flows from (used in) financing activities		<u>29,708</u>	<u>(130,004)</u>
Unrealized forex		333	-
Net increase (decrease) in cash and cash equivalent		186,001	(25,670)
Cash and cash equivalent at 1 January		12,266	37,936
Cash and cash equivalent at 31 December		<u>198,600</u>	<u>12,266</u>

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

	Note	2010 KEGP	2009 KEGP
Cash on hand and at banks	(19)	199,660	14,720
Less:			
Reserved Time deposits		(1,060)	(2,454)
		<u>198,600</u>	<u>12,266</u>

- The accompanying notes from (1) to (35) are an integral part of these financial statements.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

1 CORPORATE INFORMATION

The interim financial statements of the company for the year ended 31 December 2010 were authorized for issue in accordance with a resolution of the directors on 19 July 2010.

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.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

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 (except for land, buildings and machinery equipment) and the going concern basis

2-2 Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, 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.

Improvements to IFRSs

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

- *IAS 16 Property, Plant and Equipment:* Replaces the term "net selling price" with "fair value less costs to sell". The Company amended its accounting policy accordingly, which did not result in any change in the financial position.
- *IAS 38 Intangible Assets:* Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the service. This amendment has no impact on the Company because it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed. The Company reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.
- *IAS 23 Borrowing Costs:* The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39. The Company has amended its accounting policy accordingly which did not result in any change in its financial position.

2-3 Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the interim financial statements:

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

At 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

2-4 Investments in associates

Investments in 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.

2-5 Foreign currency translation

The interim financial statements are presented in Egyptian Pounds which is the Company's functional and presentation currency. Transactions in foreign currencies during the year are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2-6 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:-

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Interest income

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

Dividends

Revenue is recognized when the Company's right to receive the payment is established.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2-7 Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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 fair value cannot be reliably measured. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in finance costs and removed from the available-for-sale reserve.

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 recognized) is recognized in the income statement.

2-9 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.

2-10 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.

2-11 Property, plant and equipment and depreciation

Vehicles, furniture and office equipment and tools are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the vehicles, furniture and office equipment and tools when that cost is incurred, if the recognition criteria are met.

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 equipment (include strategic spare parts) are measured at fair value less accumulated depreciation on buildings and machinery equipment (include strategic spare parts) and impairment losses recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalue asset does not differ materially from its carrying amount.

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

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case the increase is recognized in the income statement. A revaluation deficit is

recognized in the income statement, 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 reserves 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

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

2-12 Constructions in progress

Constructions in progress 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. Constructions in progress are valued at cost less impairment.

2-13 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, the related licenses and research and studies and are amortized using the straight-line method over their estimated useful life (5 years).

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2-14 Inventories

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- a) Raw materials: purchase cost on a moving average basis.
- b) Finished products: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.
- c) Work in process: at cost of production of the latest completed phase based on the costing sheets.
- d) Spare parts and supplies: purchase cost on a moving average basis.

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 income statement 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 income statement in the period in which the reversal occurs

2-15 Loans and accounts receivable

Loans and accounts receivable are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, accounts receivable are carried at amortized cost using the effective interest method less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

2-16 Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

2-17 Impairment of assets

• Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

• Impairment of non financial assets

The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit's (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of income.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in 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.

2-18 Lease

Operating lease payments are recognized as an expense in profit or loss on a straight line basis over the lease term.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2-19 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2-20 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.

2-21 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.

2-22 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2-23 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 period in which these expenses were incurred.

2-24 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.

2-25 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, short-term deposits with a remaining maturity of three months less restricted time deposits.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

3 SALES OF GOODS

	2010 KEGP	2009 KEGP
Cement sales (domestic)	1,101,945	996,061
Rendered services	860	2,916
	<u>1,102,805</u>	<u>998,977</u>

4 COST OF SALES

	2010 KEGP	2009 KEGP
Variable cost	508,553	438,896
Fixed cost	93,466	73,388
Packing cost	70,809	71,472
Depreciation of property, plant and equipment	46,237	45,299
Distribution cost	5,284	5,166
Slow moving inventory	1,325	4,711
Inventory change	(2,078)	(6,501)
Cost of trading goods	-	25,213
	<u>723,596</u>	<u>657,644</u>

5 OTHER OPERATING INCOME

	2010 KEGP	2009 KEGP
Scrap sales	2,100	1,016
Accruals no longer required	12,047	2,309
Other	142	1
	<u>14,289</u>	<u>3,326</u>

6 ADMINISTRATIVE EXPENSES

	2010 KEGP	2009 KEGP
Administrative expenses	12,875	10,289
Selling and marketing expenses	6,255	4,312
Bank charges	1,762	492
Depreciation of property, plant and equipment	568	489
Amortization of intangible assets	1,629	2,149
	<u>23,089</u>	<u>17,731</u>

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

7 FINANCE COST

	2010 KEGP	2009 KEGP
Interest on loan from related party	9,201	5,140
	<u>9,201</u>	<u>5,140</u>

8 INCOME TAX

The major components of income tax expense for the year ended 31 December 2010 and 2009 are:

	2010 KEGP	2009 KEGP
Current income tax expense	54,139	58,128
Deferred tax expense	16,289	7,611
Income tax expense reported in the income statement	<u>70,428</u>	<u>65,739</u>

Reconciliation between tax expense and the accounting profit multiplied by effective tax rate for the year ended 31 December 2010 and 2009 is as follows:

		2010 KEGP		2009 KEGP
Profits before income taxes- local books		<u>315,089</u>		<u>357,292</u>
Income tax at the applicable tax rate	20%	63,018	20%	71,458
Add/subtract the tax effect of below items:				
Investment income		(2,137)		(2,159)
Depreciation of amortization		(8,858)		(9,467)
Provisions		320		(2,068)
Non deductible expenses		1,796		364
Income tax for the year	17.18%	<u>54,139</u>	16.27%	<u>58,128</u>

DEFERRED TAX LIABILITIES

	Statement of financial position		Income statement	
	2010 KEGP	2009 KEGP	2010 KEGP	2009 KEGP
Revaluation surplus	(265,251)	(270,123)	4,872	4,872
Depreciation and amortization	(86,049)	(64,804)	(21,244)	(10,416)
Intercompany interest loan	15,206	15,206	-	-
Provisions	15,495	15,412	83	(2,067)
	<u>(320,599)</u>	<u>(304,309)</u>	<u>(16,289)</u>	<u>(7,611)</u>

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

9 PROPERTY, PLANT AND EQUIPMENT

	Land		Lease hold improvement		Buildings		Machinery and equipment		Vehicles		Furniture and Office equipment		Total
	KEGP		KEGP		KEGP		KEGP		KEGP		KEGP		
Cost or valuation													
At 1 January 2010	553,265		23,194		300,780		1,184,445		18,255		16,463		2,096,402
Transfer from construction in progress	-		1,984		2,070		54,938		2,475		2,901		64,368
Strategic spare parts transferred from inventory	-		-		-		4,500		-		-		4,500
Disposals	-		-		-		-		(1,022)		(229)		(1,251)
At 31 December 2010	<u>553,265</u>		<u>25,178</u>		<u>302,850</u>		<u>1,243,883</u>		<u>19,708</u>		<u>19,135</u>		<u>2,164,019</u>
Accumulated depreciation													
At 1 January 2010	-		2,229		13,045		50,787		16,285		12,973		95,319
Depreciation charged for the year	-		646		8,764		34,726		878		1,791		46,805
Related to Disposals	-		-		-		-		(793)		(214)		(1,007)
At 31 December 2010	-		2,875		21,809		85,513		16,370		14,550		141,117
Net book value at 31 December 2010	<u>553,265</u>		<u>22,303</u>		<u>281,041</u>		<u>1,158,370</u>		<u>3,338</u>		<u>4,585</u>		<u>2,022,902</u>
Net book value at 31 December 2009	553,265		20,965		287,735		1,133,658		1,970		3,490		2,001,083

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

- The gross carrying amount of fully depreciated property, plant and equipment that are still in use amounted to KEGP 23,023 as of 31 December 2010 (31 December 2009: KEGP 22,001).

- 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.

- Depreciation included in the income statement is as follows:

	2010	2009
	KEGP	KEGP
Cost of sales	46,237	45,299
Administrative expense	568	489
	<u>46,805</u>	<u>45,788</u>

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

10 CONSTRUCTION IN PROGRESS

	2010 KEGP	2009 KEGP
At 1 January		
Additions	54,530	78,386
Transferred to property, plant and equipment	32,074	29,423
Transferred to intangible assets	(64,368)	(51,522)
Disposals	(1,436)	(1,674)
	-	(83)
At 31 December 2010	20,800	54,530

11 INTANGIBLE ASSETS

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

	2010 KEGP	2009 KEGP
Cost		
Beginning balance		
Transfers from projects under construction	13,029	11,079
Transferred from property, plant & equipment	1,436	1,674
Ending balance	-	276
	14,465	13,029
Accumulated amortization		
Beginning balance		
Related to transfers	8,742	6,451
Amortization	-	142
Ending balance	1,629	2,149
	10,371	8,742
Net book value	4,094	4,287

- The gross carrying amount of fully depreciated intangible assets that are still in use amounted to KEGP 5,422 as of 31 December 2010 (31 December 2009: KEGP 5,105).

12 INVESTMENTS IN SUBSIDIARIES

	Ownership %	2010 KEGP	2009 KEGP
Beni Suef Cement Company S.A.E	99.99%	3,165,696	-
Titan Beton & Aggregates Egypt L.L.C.	96.54%	75,960	75,960
		3,241,656	75,960

On March 17th 2010, an ordinary General Assembly Meeting was held to approve the acquisition of 49,398,990 voting shares of Beni Suef Cement Company (unlisted company) through buying it from Titan Egyptian Investment Ltd. (related party) with price per share amounting to L.E 63.46 which represent the minimum price according to the independent financial advisor valuation report. The company ownership increased from 5% up to 99.99% with total amount equal to KEGP 3,165,696 which resulted in reclassifying of the investment from available for sale investment to investment in subsidiaries (note 14).

No payment was made by the company to the seller (Titan Egyptian Investment Limited), although Titan Egyptian Investment Limited has assigned KEGP 2,156,724 of the amount owed from the company to Alexandria Development Ltd (major shareholder of the company) and the remaining debt amounting to KEGP 978 still owed by the company to Titan Egyptian Investment Ltd. (Note 14b).

In accordance with consolidated and separate financial statements IAS 27 (Para. 10), the company didn't prepare the consolidated financial statement, as its owned by the same ultimate parent Titan S.A.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

13 AVAILABLE-FOR-SALE INVESTMENTS

	2010 KEGP	Ownership %	2009 KEGP
Beni Suef Cement Company S.A.E	-	5%	30,836
	<u>-</u>		<u>30,836</u>

The company has reclassified its available-for-sale investment to investments in subsidiaries as a result of the acquisition of 94.99% of the outstanding shares of Beni Suef Cement Company S.A.E (note 13).

14 INVENTORIES, NET

	2010 KEGP	2009 KEGP
Raw materials	12,935	13,707
Consumable stores	165	172
Spare parts and supplies	130,339	118,449
Packing materials	3,474	4,088
Semi finished goods	15,674	10,988
Finished goods	5,101	4,808
	<u>167,688</u>	<u>152,212</u>
Less: Decline in value of spare parts	(15,616)	(15,374)
Strategic spare parts transferred to machinery and equipment (Note 9)	(4,500)	-
Total inventories at the lower of cost or net realizable value	<u>147,572</u>	<u>136,838</u>

15 ACCOUNTS RECEIVABLE

	2010 KEGP	2009 KEGP
Accounts receivable	198	198
	<u>198</u>	<u>198</u>

16 DUE FROM / TO RELATED PARTIES

A) DUE FROM RELATED PARTIES

	Nature	2010 KEGP	2009 KEGP
Beni Suef Cement Company	Current	93,752	38,275
Beni Suef Cement Company	Interest	19,718	7,352
		<u>113,470</u>	<u>45,627</u>

B) DUE TO RELATED PARTIES

	Nature	2010 KEGP	2009 KEGP
Titan Egyptian Investment Ltd	Interest	5,694	-
Titan Beton & Aggregates Egypt L.L.C	Current	159	408
Titan Beton & Aggregates Egypt L.L.C	Interest	-	5,608
		<u>5,853</u>	<u>6,016</u>

Alexandria Portland Cement Company (S.A.E)
 NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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17 SHORT-TERM LOAN RECEIVABLE - INTERCOMPANY

	2010 KEGP	2009 KEGP
Loan to Beni Suef Cement Company S.A.E	23,500	256,170
	<u>23,500</u>	<u>256,170</u>

During the period ended 30 June 2009, the Company has granted a short term loan to Beni Suef Cement Company with an interest rate on the drawn amounts to be calculated based on the interest rate granted by the Commercial banks on deposits in addition to 0.5% as compensation to the lender.

The short term loan balance as of 31 December 2010 has reached KEGP 23,500 (exclusive interests). The short term loan will be paid within twelve months after the balance sheet date; accordingly it is recorded in the current liabilities.

18 PREPAYMENTS AND OTHER RECEIVABLES

	2010 KEGP	2009 KEGP
Advances to suppliers	21,501	9,235
Customs Authority	10,002	6,122
Tax receivables- sales tax	7,419	5,937
Deposits with others	5,889	5,720
Prepaid expenses	5,342	4,675
Tax receivables- withholding tax	2,490	1,763
Accrued interest	320	14
Letter of credit	-	1,727
Other debit balances	1,194	3,349
Less: decline in value of other debt balances	(224)	(1,406)
	<u>53,933</u>	<u>37,136</u>

19 CASH AND SHORT-TERM DEPOSITS

	2010 KEGP	2009 KEGP
a) Egyptian pound		
Cash on hand	70	70
Current accounts	46,278	9,601
Short term deposits	152,166	2,542
	<u>198,514</u>	<u>12,213</u>
b) Foreign currency		
Current accounts	86	53
Cash and cash equivalent	198,600	12,266
	<u>198,600</u>	<u>12,266</u>
Reserved deposits	1,060	2,454
Cash at banks	199,660	14,720

The time deposits held with Bank of Alexandria and National Société General Bank of KEGP 1,060 (note 27) are reserved against letter of guarantees issued by the company in favour of third parties.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

20 CAPITAL

The Company's authorized capital amounts to EGP 4 Billions, while the Company's issued and paid up capital amounts to KEGP 2,570,574 divided over 257,057 shares of par value L.E 10 each as follows:

Name	No. of shares Before capital increase	No. of shares after capital increase	Percentage %	Nominal Value Before capital increase EGP	Nominal Value after capital increase EGP
Alexandria development ltd	10614137	226286543	88.030%	106,141,370	2,262,865,430
Kocem	581788	12403344	4.825 %	5,817,880	124,033,440
East Cement Trade Limited	480000	10233290	3.981%	4,800,000	102,332,900
IAP ETOS Limited	107470	2291191	0.891%	1,074,700	22,911,910
Others	274075	5843102	2.273%	2,740,750	58,431,020
Total	12,057,470	257057470	100	120,574,700	2,570,574,700

On March 17th 2010, an Extra Ordinary General Assembly Meeting was held to approve the increase of the company authorized capital from EGP 200 Million to EGP 4 Billion and to increase the issued capital from KEGP 120,574 to KEGP 2,570,575 by issuing of 245 Million shares with 10 L.E per share.

The actual paid up capital related to the increase is amounting to KEGP 293,276

21 LONG TERM LOANS - INTERCOMPANY

On 1st of July 2010, Titan Egypt Investment Ltd has converted the debt balance amounting to L.E 684,859,366 due from the company into a long term loan in Euro amounting to thousand Euro 97,982 equivalent to KEGP 760,013 that resulted in a forex exchange amounting to KEGP 75,152 at exchange rate equal 7.75 (Year end rate). The loan will be repaid within 5 years starting from date of the contract and its outstanding balance amounting to EGP 760,013 as of 31 December 2010.

Interest rate is calculated on the EURIBOR in plus 5.15%

22 PROVISIONS

	Balance 1 January 2010 KEGP	Charged KEGP	Used KEGP	No longer required KEGP	Balance 31 December 2010 KEGP
Training provision	5,066	2,060	-	-	7,126
Voluntary early leave pay	-	2,252	(295)	1,957	-
Provision for litigation	1,763	-	(87)	-	1,676
Tax provision	1,468	-	-	-	1,468
Provision for other claims	1,726	-	(617)	-	1,109
	10,023	4,312	(999)	1,957	11,379

23 TRADE PAYABLES

	2010 KEGP	2009 KEGP
Accounts payable- Egyptian pounds	52,099	33,907
Accounts payable- Foreign currency	8,286	6,629
	60,385	40,536

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
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24 ACCRUED EXPENSES AND OTHER PAYABLES

	2010 KEGP	2009 KEGP
Accrued expense	15,440	14,307
Sales tax	10,058	57
Electricity	5,899	4,895
Gas	4,992	4,159
Accrued bonus	3,488	3,873
Accrued development fees	2,981	6,149
Tax Authority-Withholding tax	1,388	1,341
Tax Authority-Payroll tax	673	905
Tax Authority-Real estate tax	294	294
Social security	254	156
Accrued salaries	90	80
Tax Authority-Stamp tax	-	26
Other credit balances	94	3,415
	<u>45,651</u>	<u>39,657</u>

25 PURCHASE COMMITMENTS

	Current portion	From 1 to 5 years	More than 5 years	Total
	KEGP	KEGP	KEGP	KEGP
Future purchase commitments:				
Gas supply	<u>28,641</u>	<u>114,566</u>	<u>183,782</u>	<u>326,989</u>

The purchase commitment amounting to KEGP 326,989 represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the company.

26 SHORT-TERM LOAN PAYABLE - SUBSIDIARY

	2010 KEGP	2009 KEGP
Loan from Titan Beton & Aggregates Egypt L.L.C	-	45,620
	<u>-</u>	<u>45,620</u>

On November 2008 Titan Beton and Aggregate Egypt L.L.C granted a short term loan to the company amounting to KEGP 60,420. During the last quarter of 2010, the company has totally settled the loan amounting to KEGP 45,620

The interest is calculated based on borrower's Commercial banks deposit rate plus an additional 0.5% (Note 16b).

Short term borrowing and loans are approximately equal to its fair value.

27 CONTINGENT LIABILITIES

The company contingent liabilities represents bank guarantees resulted from the company activities, accordingly, the company contingent liabilities has reached KEGP 1,060 as of 31 December 2010 against blocked deposits amounting to KEGP 376 (Note 19) and letter of guarantee cash margin amounting to KEGP 684 (Note 19) as shown below:

	Amount in Currency	Equivalent in KEGP	Cash margin KEGP
Bank of Alexandria	145	145	145
National Socitie General	338	338	338
Cairo Bank	201	201	201

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

28 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 and 2005 the books were inspected and disputed points have been transferred to an internal committee.
- No tax inspection took place for the years 2006, 2007, 2008 and 2009
- Blue circle books were inspected for the years 2005 and 2006 and legal objection was submitted.

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 2009 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 and the year 2005 is under inspection.

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
- The period from July 2006 up to December 2007 was inspected and the company is preparing for the internal committee.
- Blue Circle books were inspected and settled from inception up to June 2006
- Blue Circle books are under inspection for the period from July till December 2006.

e) Real estate tax

- The company's books were inspected and settled until 2009.

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2010

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash and short-term deposits, trade receivable and other receivables, due from related parties. The financial liabilities include accounts payable, credit facilities, interest bearing loan and borrowings, accrued expenses and other payables and due to related parties.

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.

The carrying amounts of the financial assets and liabilities referred to in note (2) above are not materially different from their fair values.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise Interest bearing loans and borrowings, credit facilities and trade and notes payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as Accounts receivable and cash and short-term deposits, which arise directly from its operations.

The Company's is exposed to market risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and currency risk, such as equity risk. Financial instruments affected by market risk include interest bearing loans and borrowings and short-term deposits.

- Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

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.

- Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency)

The total financial assets denominated in foreign currencies amount to KEGP 700, whereas, the total financial liabilities denominated in foreign currencies amount to KEGP 8,286.

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30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES-CONTINUED

Credit risk

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument of customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks as follows:

	2010 KEGP	2009 KEGP
Due from related parties	113,470	45,627
Bank accounts and short-term deposits	199,660	14,382
Short term loan receivable- Intercompany	23,500	256,170
Other receivables	53,933	37,474
	<u>390,563</u>	<u>353,653</u>

- **Credit risks related to Due from related parties:**
 Due from related parties is within minimal credit risk.

- **Credit risks related to financial instruments and cash deposits:**
 Credit risk from balances with banks and financial institutions is managed by Company's treasury in accordance with the Company's policy.
 The Company seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

- **Credit risks related to other receivables:**
 Outstanding other receivables are regularly monitored by the company's management.

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 credit facilities, interest bearing loans and finance leases.

The table below summarizes the maturity profile of the Company's undiscounted financial liabilities at 31 December 2010 2010 based on contractual (undiscounted) payments:

	<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 2010:</u>					
Trade payable	60,385	-	-	-	60,385
Accrued expenses	45,651	-	-	-	45,651
Advances from customers	88,866	-	-	-	88,866
Due to related parties	5,853	-	-	-	5,853
Borrowings (related parties)	-	-	760,013	-	760,013
	<u>200,755</u>	<u>-</u>	<u>760,013</u>	<u>-</u>	<u>960,768</u>
<u>Year Ended 31 December 2009:</u>					
Trade payable	40,536	-	-	-	40,536
Accrued expenses	39,657	-	-	-	39,657
Advances from customers	141,107	-	-	-	141,107
Due to related parties	6,016	-	-	-	6,016
Borrowings (related parties)	3,750	6,000	35,870	-	45,620
	<u>231,066</u>	<u>6,000</u>	<u>35,870</u>	<u>-</u>	<u>272,936</u>

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31 EARNINGS PER SHARE

Earnings per share were calculated by dividing the profit for the year by the average number of shares outstanding without taking into consideration any future distributions to the Company's employees and board of directors relating to the year ended 31 December 2010. Earnings per share amounted to EGP 1.21.

32 DIVIDENDS PAID

In accordance with the resolution of the Annual Assembly meeting held 7th of April 2010, the Company has declared dividends to shareholders amounted to KEGP 203,119 which was paid during June 2010.

33 RELATED PARTY TRANSACTIONS

- a) Total interest revenue from Beni Suef Cement Company during year amounted to KEGP 19,718 resulted from loan due from Beni Suef Cement Company amounting to KEGP 19,718 (Note 17a)
- b) During 2009, in accordance with the resolution of the general assembly meeting held on 7th of April 2010 the Company received dividends amounting to KEGP 10,686 from Beni Suef Cement Company.
- c) Interest expense to Titan Beton amounting to KEGP 3,509 resulted from loan from Titan Beton.
- d) Interest expense to Titan Egypt Investment Ltd amounting to KEGP 5,694 resulted from loan from Titan Beton.
- e) The company has purchased clinker from Titan Cement Company S.A Greece amounting to KEGP 87,563
- f) The company has purchased clinker from Antea amounting to KEGP 26,979
- g) The company has purchased clinker from Adocim amounting to KEGP 13,317
- h) Total cost of clinker sold to Beni Suef Cement Company for 31 December 2010 amounted to KEGP 51,798.

34 SUBSEQUENT EVENTS

Subsequent to the balance sheet date, some substantial events took place in Egypt that impacted the economic environment which in turn could expose the Company to various risks including sustainability of revenues, growth of business, fluctuations in foreign currencies exchange rates and valuation / impairment of assets.

These events do not have an impact on the financial statements for the year ended December 31, 2010, but may impact the financial statements of future periods. While it is difficult to quantify this effect at this point in time, the impact will become visible in the future financial statements. The significance of such an impact will depend on extent and length until which these events and its effect will end.

35 COMPARATIVE FIGURES

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