

**ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)  
SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011  
TOGETHER WITH AUDITOR'S REPORT**

**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 2011, as well as the related separate statements of income, statement of comprehensive 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 Euro 1,100K. 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**

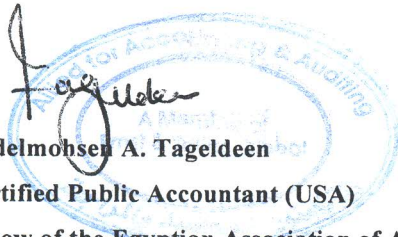
In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **Alexandria Portland Cement Company (S.A.E)** as of 31 December 2011, 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.

Without qualifying our opinion, we draw attention to note (18) to the financial statements, the management of the Company received a new request from the tax authority to settle the clay fees difference due on the Company. The management of the Company has obtained an independent legal opinion, which concluded that the Company has rightful claim of the excess clay fees difference, however the matter is still pending.

**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.

A blue circular stamp of the Egyptian Association of Accountants and Auditors (EAAA) is overlaid on a handwritten signature. The signature is in black ink and appears to read 'A. Tageldeen'. The stamp contains the text 'EAAA' and 'Association of Accountants and Auditors'.

**Abdelmohsen A. Tageldeen**

**Certified Public Accountant (USA)**

**Fellow of the Egyptian Association of Accountants and Auditors**

**R.A.A. 15058**

**Cairo: 29 January 2012**

Alexandria Portland Cement Company (S.A.E)

SEPARATE INCOME STATEMENT

For The Year Ended 31 December 2011

	Notes	2011 KEGP	2010 KEGP
Sales	(3)	822,514	1,102,805
Cost of sales	(4)	(565,469)	(723,596)
<b>Gross profit</b>		<b>257,045</b>	<b>379,209</b>
Other operating income	(5)	101,173	14,289
Administrative expenses	(6)	(26,795)	(23,089)
Other operating expenses	(7)	(16,985)	(11,600)
Provisions	(22)	(7,141)	(4,312)
Provisions no longer required	(22)	1,021	1,957
(Loss) / Gain from sale of property, plant and equipment		(130)	210
Foreign exchange difference		(7,120)	(77,227)
<b>Operating profit</b>		<b>301,068</b>	<b>279,437</b>
Finance cost	(8)	(56,930)	(9,201)
Finance income		22,025	14,666
Share of profit of a subsidiary	(33)	403,512	10,686
<b>Profits before tax</b>		<b>669,675</b>	<b>295,588</b>
Deferred tax expense	(9)	(2,670)	(16,289)
Income tax expense	(9)	(72,586)	(54,139)
<b>Profits for the year</b>		<b>594,419</b>	<b>225,160</b>
<b>Earnings per share</b>	(31)	<b>2.31</b>	<b>1.21</b>

- 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 2011

	2011	2010
	KEGP	KEGP
Profits for the year	<u>594,419</u>	<u>225,160</u>
Comprehensive income for the year, net of tax	<u>594,419</u>	<u>225,160</u>

There are no other components of comprehensive income during the year ended 31 December 2011. 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 2011

	Notes	2011 KEGP	2010 KEGP
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(10)	2,018,902	2,022,902
Construction in progress	(11)	11,533	20,800
Intangible assets	(12)	2,769	4,094
Held-to-maturity investments		359	359
Investment in subsidiaries	(13)	3,241,656	3,241,656
		<u>5,275,219</u>	<u>5,289,811</u>
<b>Current assets</b>			
Inventories, net	(14)	180,464	147,572
Accounts receivable	(15)	198	198
Due from related parties	(16 a)	9,456	113,470
Short term loan receivable- subsidiary	(17)	152,800	23,500
Prepayments and other receivables	(18)	105,021	53,933
Cash and short-term deposits	(19)	135,229	199,660
		<u>583,168</u>	<u>538,333</u>
<b>Total assets</b>		<u><b>5,858,387</b></u>	<u><b>5,828,144</b></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	(20)	2,570,575	2,570,575
Legal reserve		72,899	60,287
General reserve		140,239	372,454
Retained earnings		210,668	191,138
Profit for the year		594,419	225,160
Assets revaluation reserve		972,205	1,061,040
<b>Total equity</b>		<u><b>4,561,005</b></u>	<u><b>4,480,654</b></u>
<b>Non-current liabilities</b>			
Long term loans- related parties	(21)	569,499	760,013
Other non-current financial liability		281	296
Provisions	(22)	17,379	11,379
Deferred tax liability	(9)	392,627	320,599
		<u>979,786</u>	<u>1,092,287</u>
<b>Current liabilities</b>			
Trade payables	(23)	51,421	60,385
Notes Payable		850	-
Advances from customers		113,268	88,866
Accrued expenses and other payables	(24)	28,033	45,651
Income tax payable	(9)	72,586	54,140
Due to related parties	(16 b)	8,366	5,853
Short term loan payable - subsidiary	(26)	42,785	-
Dividends payable		287	308
		<u>317,596</u>	<u>255,203</u>
<b>Total equity and liabilities</b>		<u><b>5,858,387</b></u>	<u><b>5,828,144</b></u>

  
Chief Financial Officer

  
Chief Executive Officer

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

Alexandria Portland Cement Company (S.A.E)

SEPARATE STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2011

	Issued Capital KEGP	Legal reserve KEGP	General Reserve KEGP	Retained earnings KEGP	Profit for the year KEGP	Assets Revaluation reserve KEGP	Total Equity KEGP
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
Transferred to legal reserve	-	9,729	-	(9,729)	-	-	-
Transferred to retained earnings	-	-	-	281,951	(281,951)	-	-
Dividends declared and paid	-	-	-	(203,119)	-	-	(203,119)
Depreciation transferred for land and building	-	-	-	19,476	-	(19,476)	-
Profits for the year	-	-	-	-	225,160	-	225,160
<b>At 31 December 2010</b>	<b>2,570,575</b>	<b>60,287</b>	<b>372,454</b>	<b>191,138</b>	<b>225,160</b>	<b>1,061,040</b>	<b>4,480,654</b>
As at 1 January 2011	2,570,575	60,287	372,454	191,138	225,160	1,061,040	4,480,654
Transferred to legal reserve	-	12,612	-	(12,612)	-	-	-
Transferred to retained earnings	-	-	-	225,160	(225,160)	-	-
Dividends declared and paid (note 32)	-	-	(232,215)	(212,494)	-	-	(444,709)
Depreciation transferred for land and building	-	-	-	19,476	-	(88,835)	(69,359)
Profits for the year	-	-	-	-	594,419	-	594,419
<b>At 31 December 2011</b>	<b>2,570,575</b>	<b>72,899</b>	<b>140,239</b>	<b>210,668</b>	<b>594,419</b>	<b>972,205</b>	<b>4,561,005</b>

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

## SEPARATE STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2011

	Note	2011 KEGP	2010 KEGP
<b>Operating activities</b>			
Profits before tax		669,675	295,588
<b>Non- Cash adjustments to reconcile profit before tax to net cash flows</b>			
Depreciation of property, plant and equipment	(10)	48,241	46,805
Amortization of intangible assets	(12)	2,174	1,629
Finance cost	(8)	56,930	9,201
Finance income		(22,025)	(14,666)
Provisions	(22)	6,000	1,356
Provisions for slow moving inventory		(9,625)	242
Share of profit of a subsidiary	(33)	(403,512)	(10,686)
Loss/ (Gain) on disposal of property, plant and equipment		130	(210)
Unrealized forex		8,904	74,821
		<u>356,892</u>	<u>404,080</u>
<b>Working capital adjustments:</b>			
Change in reserved in time deposits		-	1,394
Change in inventories		(23,267)	(15,476)
Change in due from related parties		93,707	(55,477)
Change in prepayments and other receivables		(51,318)	(16,491)
Change in trade payables		(8,964)	19,849
Change in notes payables		850	(2,380)
Changes in advance from customers		24,402	(52,241)
Change in accrued expenses and other payables		(17,618)	5,994
Change in due to related parties		1,227	(287,831)
Dividends received		403,512	10,686
		<u>779,423</u>	<u>12,107</u>
Interest received		32,561	1,994
Income tax paid		(54,140)	(58,126)
<b>Net cash flows from (used in) operating activities</b>		<u>757,844</u>	<u>(44,025)</u>
<b>Investing activities</b>			
Proceeds from sale of property, plant & equipment		227	454
Payments to acquire property, plant and equipment		(7,409)	-
Payments to acquire project under construction		(28,771)	(32,074)
Other noncurrent financial liabilities		(15)	(732)
<b>Net cash flows (used in) investing activities</b>		<u>(35,968)</u>	<u>(32,352)</u>
<b>Cash flows from financing activities</b>			
Dividends paid	(32)	(444,730)	(203,139)
Increase in paid up capital		-	293,276
Change in long term loans –related parties		(190,514)	-
Change in short term loan receivable- subsidiary		(129,300)	232,670
Change in term loans payable- subsidiary		42,785	(45,620)
Interest paid		(55,644)	(14,809)
<b>Net cash flows (used in) from financing activities</b>		<u>(777,403)</u>	<u>262,378</u>
Unrealized forex		(8,904)	333
Net (decrease) increase in cash and cash equivalent		(55,527)	186,001
Cash and cash equivalent at 1 January		198,600	12,266
<b>Cash and cash equivalent at 31 December</b>		<u>134,169</u>	<u>198,600</u>

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

	Note	2011 KEGP	2010 KEGP
Cash on hand and short term deposits	(19)	135,229	199,660
<b>Less:</b>			
Reserved Time deposits		(1,060)	(1,060)
		<u>134,169</u>	<u>198,600</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 2011

### 1 CORPORATE INFORMATION

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.

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. Therefore, the company ownership in Beni Suef Cement Company increased from 5% to 99.99%.

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 by KEGP 2,450,000 from KEGP 120,574 to KEGP 2,570,575 by issuing of 245 Million shares with 10 L.E per share.

**Company objective**

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

**2 SIGNIFICANT ACCOUNTING POLICIES**

**2-1 Basis of preparation**

The financial statements 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 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

**Improvements to IFRSs**

In April 2009 the Board issued its second 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 impact any on the financial position or performance of the Company.

IAS 7 Statement of Cash Flows: Explicitly states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities. This amendment will impact the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

AS 36 Impairment of Assets: The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

**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 financial statements:

**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 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.

**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 2011

**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:

	<b>Years</b>
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.

**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 reverses to retained earnings is made for the difference between depreciation based on the revaluated carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revaluated amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

	<b>Years</b>
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).

**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 conditions 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.

**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 recognised 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 2011

### 3 SALES

	2011 KEGP	2010 KEGP
Cement sales (domestic)	811,843	1,050,147
Clinker sales (domestic)	10,671	51,798
Rendered services	-	860
	<u>822,514</u>	<u>1,102,805</u>

### 4 COST OF SALES

	2011 KEGP	2010 KEGP
Variable cost	340,772	508,553
Fixed cost	113,379	93,466
Packing cost	69,759	70,809
Depreciation of property, plant and equipment (Note 10)	47,552	46,237
Slow moving inventory	508	1,325
Distribution cost	319	5,284
Inventory change	(6,820)	(2,078)
	<u>565,469</u>	<u>723,596</u>

### 5 OTHER OPERATING INCOME

	2011 KEGP	2010 KEGP
Refundable clay fees (Note 18)	95,269	-
Scrap sales	1,249	2,100
Other	4,655	12,189
	<u>101,173</u>	<u>14,289</u>

### 6 ADMINISTRATIVE EXPENSES

	2011 KEGP	2010 KEGP
Administrative expenses	17,887	12,875
Selling and marketing expenses	5,261	6,255
Bank charges	784	1,762
Amortization of intangible assets	2,174	1,629
Depreciation of property, plant and equipment (Note 10)	689	568
	<u>26,795</u>	<u>23,089</u>

### 7 OTHER OPERATING EXPENSE

	2011 KEGP	2010 KEGP
Ex-employees' profit share	11,858	-
Others	5,127	2,638
Sales tax variance	-	8,962
	<u>16,985</u>	<u>11,600</u>

Due to the current events in Egypt, the company management decided to settle their dispute with their ex-employees that left the company since 2001 and to pay them KEGP 11,858 Million representing their profit share plus interest, in return the employees drop the legal case. During 2010 we obtained the external legal opinion stating the case was remote, accordingly; no legal provision was created. The ex-employees profit share has been recorded as expense in other operating expenses.

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

### 8 FINANCE COST

	2011 KEGP	2010 KEGP
Interest on loan from related party (Titan Egyptian Investment Ltd)	55,494	5,694
Interest on loan from related party (Titan Beton & Aggregates Egypt)	1,436	3,507
	<u>56,930</u>	<u>9,201</u>

### 9 INCOME TAX

The major components of income tax expense for the year ended 31 December 2011 and 2010 are:

	2011 KEGP	2010 KEGP
Current income tax expense	72,586	54,139
Deferred tax expense	2,670	16,289
<b>Income tax expense reported in the income statement</b>	<u>75,256</u>	<u>70,428</u>

Reconciliation between tax expense and the accounting profit multiplied by effective tax rate for the year ended 31 December 2011 and 2010 is as follows:

		2011 KEGP		2010 KEGP
Profits before income taxes- local books		<u>708,008</u>		<u>315,089</u>
Income tax at the applicable tax rate	24.9%	176,502	20%	63,018
<b>Add/subtract the tax effect of below items:</b>				
Investment income		(100,878)		(2,137)
Depreciation of amortization		(6,386)		(8,858)
Provisions		(906)		320
Other expenses		4,254		1,796
Income tax for the year	10.25%	<u>72,586</u>	17.18%	<u>54,139</u>

### DEFERRED TAX LIABILITIES

	Statement of financial position		Income statement	
	2011 KEGP	2010 KEGP	2011 KEGP	2010 KEGP
Revaluation surplus	(329,737)	(265,251)	4,872	4,872
Depreciation and amortization	(85,673)	(86,049)	376	(21,244)
Intercompany interest loan	16,926	15,206	1,720	-
Provisions	5,857	15,495	(9,638)	83
	<u>(392,627)</u>	<u>(320,599)</u>	<u>(2,670)</u>	<u>(16,289)</u>

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

10 PROPERTY, PLANT AND EQUIPMENT

	Land	Lease hold improvement	Buildings	Machinery and equipment	Vehicles	Furniture and Office equipment	Total
	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP
<b>Cost or valuation</b>							
At 1 January 2011	553,265	25,178	302,850	1,243,883	19,708	19,135	2,164,019
Transfer from construction in progress	-	300	2,508	30,815	1,652	1,914	37,189
Additions	-	-	-	7,409	-	-	7,409
Disposals during the year	-	-	-	(178)	(985)	(422)	(1,585)
At 31 December 2011	<u>553,265</u>	<u>25,478</u>	<u>305,358</u>	<u>1,281,929</u>	<u>20,375</u>	<u>20,627</u>	<u>2,207,032</u>
<b>Accumulated depreciation</b>							
At 1 January 2011	-	2,875	21,809	85,513	16,370	14,550	141,117
Depreciation charged for the year	-	511	8,809	35,900	1,008	2,013	48,241
Disposals depreciation cost during the year	-	-	-	(87)	(741)	(400)	(1,228)
At 31 December 2011	-	<u>3,386</u>	<u>30,618</u>	<u>121,326</u>	<u>16,637</u>	<u>16,163</u>	<u>188,130</u>
<b>Net book value at 31 December 2011</b>	<u><b>553,265</b></u>	<u><b>22,092</b></u>	<u><b>274,740</b></u>	<u><b>1,160,603</b></u>	<u><b>3,738</b></u>	<u><b>4,464</b></u>	<u><b>2,018,902</b></u>
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>

- 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 26,124 as of 31 December 2011 (31 December 2010: KEGP 23,023).

- 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:

	2011 KEGP	2010 KEGP
Cost of sales	47,552	46,237
Administrative expense	689	568
	<u>48,241</u>	<u>46,805</u>

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

### 11 CONSTRUCTION IN PROGRESS

	2011 KEGP	2010 KEGP
At 1 January	20,800	54,530
Additions	28,771	32,074
Transferred to property, plant and equipment	(37,189)	(64,368)
Transferred to intangible assets	(849)	(1,436)
<b>At 31 December 2011</b>	<b>11,533</b>	<b>20,800</b>

### 12 INTANGIBLE ASSETS

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

	2011 KEGP	2010 KEGP
<b>Cost</b>		
Beginning balance	14,465	13,029
Transfers from projects under construction	849	1,436
<b>Ending balance</b>	<b>15,314</b>	<b>14,465</b>
<b>Accumulated amortization</b>		
Beginning balance	10,371	8,742
Amortization	2,174	1,629
<b>Ending balance</b>	<b>12,545</b>	<b>10,371</b>
<b>Net book value</b>	<b>2,769</b>	<b>4,094</b>

- The gross carrying amount of fully depreciated intangible assets that are still in use amounted to KEGP 6,852 as of 31 December 2011 (31 December 2010: KEGP 5,422).

### 13 INVESTMENTS IN SUBSIDIARIES

	Ownership %	2011 KEGP	2010 KEGP
Beni Suef Cement Company S.A.E	99.99%	3,165,696	3,165,696
Titan Beton & Aggregates Egypt L.L.C.	96.54%	75,960	75,960
		<b>3,241,656</b>	<b>3,241,656</b>

### 14 INVENTORIES, NET

	2011 KEGP	2010 KEGP
Raw materials	16,985	12,935
Consumable stores	166	165
Spare parts and supplies	139,999	130,339
Packing materials	4,610	3,474
Semi finished goods	22,802	15,674
Finished goods	1,893	5,101
	<b>186,455</b>	<b>167,688</b>
Less: Decline in value of spare parts	(5,991)	(15,616)
Strategic spare parts transferred to machinery and equipment	-	(4,500)
<b>Total inventories at cost</b>	<b>180,464</b>	<b>147,572</b>

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

15 ACCOUNTS RECEIVABLE

	2011 KEGP	2010 KEGP
Accounts receivable	198	198
	<u>198</u>	<u>198</u>

16 DUE FROM / TO RELATED PARTIES

A) DUE FROM RELATED PARTIES

	Nature	2011 KEGP	2010 KEGP
Beni Suef Cement Company	Interest	9,411	19,718
Titan Beton & Aggregates Egypt L.L.C	Current	37	-
Titan Company SA	Current	8	-
Beni Suef Cement Company	Current	-	93,752
		<u>9,456</u>	<u>113,470</u>

B) DUE TO RELATED PARTIES

	Nature	2011 KEGP	2010 KEGP
Titan Egyptian Investment Ltd	Interest	5,544	5,694
Titan Beton & Aggregates Egypt L.L.C	Interest	1,436	-
Beni Suef Cement Company	Current	1,386	-
Titan Beton & Aggregates Egypt L.L.C	Current	-	159
		<u>8,366</u>	<u>5,853</u>

17 SHORT-TERM LOAN RECEIVABLE – SUBSIDIARY

	2011 KEGP	2010 KEGP
Loan to Beni Suef Cement Company S.A.E	152,800	23,500
	<u>152,800</u>	<u>23,500</u>

During the period ended 30 June 2011, 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.

On December 2011, the company has amended the intercompany loan agreement terms to be repaid within one year starting from December 2011; accordingly, it is recorded under current assets.

The short term loan balance as of 31 December 2011 has reached KEGP 152,800 (exclusive interests).

Alexandria Portland Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

18 PREPAYMENTS AND OTHER RECEIVABLES

	2011 KEGP	2010 KEGP
Tax Authority- refundable clay fees *	64,719	-
Customs Authority	8,812	10,002
Tax receivables- sales tax	7,470	7,419
Personal advance	6,074	423
Deposits with others	5,984	5,889
Prepaid expenses	5,512	5,342
Advances to suppliers	2,710	21,501
Tax receivables- withholding tax	1,756	2,490
Letter of credit	160	-
Interest receivable	91	320
Other debit balances	1,957	771
Less: decline in value of other debt balances	(224)	(224)
	<u>105,021</u>	<u>53,933</u>

\* Refundable clay fees amounting to KEGP 64,719 represents net amount due from Tax Authority amounting to KEGP 95,269 after deducting consumption from December 2010 up to December 2011 amounting to EGP 30,550 Million. Based on the meeting held between Tax Authority officials and representative of all cement companies in Egypt, it has decided that the clay fees per ton of EGP 9 should be applied for each ton of produced cement instead of EGP 35.1 as per relevant law, for the period from May 2008 to June 2010, and the company already paid the excess clay fees during the said period.

The management strongly believes that the difference amounting to KEGP 95,269 (Note 5) of the two above mentioned rates should be recorded as tax receivable (assets) against other income.

The management of the Company based on the above meeting with the Tax Authority has implemented the agreed clay fees rate.

During 2011, the management of the Company received a new request from the tax authority to settle the clay fees difference due on the Company. The management of the Company has obtained an independent legal opinion, which concluded that the Company has rightful claim of the excess clay fees difference, however the matter is still pending.

19 CASH AND SHORT-TERM DEPOSITS

	2011 KEGP	2010 KEGP
<b>a) Egyptian pound</b>		
Cash on hand	70	70
Current accounts	130,330	46,278
Short term deposits	624	152,166
	<u>131,024</u>	<u>198,514</u>
<b>b) Foreign currency</b>		
Current accounts	3,145	86
Cash and cash equivalent	134,169	198,600
	<u>137,314</u>	<u>198,686</u>
Reserved deposits	1,060	1,060
Cash at banks	135,229	199,660
	<u>136,289</u>	<u>199,660</u>

The time deposits held with Bank of Alexandria, National Société General Bank and Cairo 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 2011

### 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 thousands shares of par value L.E 10 each as follows:

Name	No. of shares	Percentage %	Nominal Value EGP
Alexandria development ltd	226286543	88.030%	2,262,865,430
Kocem	12403344	4.825 %	124,033,440
East Cement Trade Limited	10233290	3.981%	102,332,900
IAP ETOS Limited	2291191	0.891%	22,911,910
Others	5843102	2.273%	58,431,020
<b>Total</b>	<b>257057470</b>	<b>100</b>	<b>2,570,574,700</b>

### 21 LONG TERM LOANS – RELATED PARTY

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.

On December 2011 Alexandria Portland cement paid partial settlement by amount of Euro 25 Million (equivalent to KEGP 199,633).

The loan will be repaid within 5 years starting from date of the contract and its outstanding balance amounting to KEGP 569,499 as of 31 December 2011.

Interest rate is calculated on the EURIBOR in plus 5.15%

### 22 PROVISIONS

	Balance 1 January 2011 KEGP	Charged KEGP	Used KEGP	No longer required KEGP	Balance 31 December 2011 KEGP
Training provision	8,067	7,141	-	(1,021)	14,187
Provision for litigation	1,676	-	(119)	-	1,557
Tax provision	868	-	-	-	868
Provision for other claims	768	-	(1)	-	767
	<u>11,379</u>	<u>7,141</u>	<u>(120)</u>	<u>(1,021)</u>	<u>17,379</u>

### 23 TRADE PAYABLES

	2011 KEGP	2010 KEGP
Accounts payable- Egyptian pounds	49,065	52,099
Accounts payable- Foreign currency	2,356	8,286
	<u>51,421</u>	<u>60,385</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 2011

### 24 ACCRUED EXPENSES AND OTHER PAYABLES

	2011 KEGP	2010 KEGP
Accrued expense	11,532	15,440
Sales tax	5,754	10,058
Electricity	3,613	5,899
Accrued bonus	3,027	3,488
Gas	1,340	4,992
Tax Authority-Withholding tax	1,282	1,388
Tax Authority-Payroll tax	697	673
Social security	331	254
Tax Authority-Real estate tax	294	294
Accrued salaries	9	90
Accrued development fees	-	2,981
Other credit balances	154	94
	<u>28,033</u>	<u>45,651</u>

### 25 PURCHASE COMMITMENTS

	Current portion KEGP	From 1to 5 years KEGP	More than 5 years KEGP	Total KEGP
Future purchase commitments:				
Gas supply	<u>28,641</u>	<u>114,566</u>	<u>155,141</u>	<u>298,348</u>

The purchase commitment amounting to KEGP 298,348 represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the company.

### 26 SHORT-TERM LOAN PAYABLE - SUBSIDIARY

	2011 KEGP	2010 KEGP
Loan from Titan Beton & Aggregates Egypt L.L.C	42,785	-
	<u>42,785</u>	<u>-</u>

On June 2011 Titan Beton and Aggregate Egypt L.L.C granted a short term loan to the company amounting to KEGP 47,000.

On December 2011, the company has amended the intercompany loan agreement terms to be repaid within one year starting from December 2011; accordingly, it is recorded under current liabilities.

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 (Note 19) as of 31 December 2011 against blocked deposits amounting to KEGP 376 and letter of guarantee cash margin amounting to KEGP 684 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



**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 appeal and internal committee respectively.
- The company books are under inspection for the year 2006
- No tax inspection took place for the years 2007, 2008, 2009, 2010 and 2011.
- Blue circle books were inspected for the years 2005 and 2006 and disputed points have been transferred to an internal committee.

**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.
- No tax inspection took place for the years 2010 and 2011.
- Blue Circle books were inspected by the Tax Authority till 2006 and all tax dues were paid.

**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 2006 and all tax dues were settled.
- No tax inspection took place since 2007 till now.
- Blue circle books were inspected till 2004 and 2005 and points of dispute were transferred to the internal committee.
- Blue circle books are under inspection for the year 2006

**d) Stamp duty taxes**

- The company's books were inspected up to year 2004 and all tax dues were paid.
- For the years 2005 till June 2006 stamp tax were inspected and settled.
- 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 December 2006.

**e) Real estate tax**

- The company's books were inspected and settled till December 2011.

**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 3,844, whereas, the total financial liabilities denominated in foreign currencies amount to KEGP 573,217.

**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:

	2011 KEGP	2010 KEGP
Due from related parties	9,456	113,470
Bank accounts and short-term deposits	135,159	199,590
Short term loan receivable- Intercompany	152,800	23,500
Other receivables	105,021	53,933
	<u>402,436</u>	<u>390,493</u>

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

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

### - 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 2011 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 2011:</u>					
Trade payable	51,421	-	-	-	51,421
Accrued expenses	28,033	-	-	-	28,033
Advances from customers	113,268	-	-	-	113,268
Due to related parties	8,366	-	-	-	8,366
Borrowings (related parties)	-	42,785	569,499	-	612,284
	<u>201,088</u>	<u>42,785</u>	<u>569,499</u>	<u>-</u>	<u>813,372</u>
<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>

### 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 2011. Earnings per share amounted to EGP 2.31 (2010: 1.21).

### 32 DIVIDENDS PAID

In accordance with the resolution of the Annual Assembly meeting held 18<sup>th</sup> of April 2011, the Company has declared dividends to shareholders amounted to KEGP 444,709 which was paid during year 2011.

**33 RELATED PARTY TRANSACTIONS**

- a) Total interest revenue from Beni Suef Cement Company during year amounted to MEGP 9,590 resulted from loan due from Beni Suef Cement Company amounting to MEGP 152,800 (Note 16a)
- b) During 2011, in accordance with the resolution of the general assembly meeting held on 18<sup>th</sup> of April 2011 the Company received dividends amounting to KEGP 403,512 from Beni Suef Cement Company.
- c) Interest expense to Titan Beton amounting to MEGP 1,436 resulted from loan from Titan Beton.
- d) Interest expense to Titan Egypt Investment Ltd amounting to MEGP 55,494 resulted from loan from Titan Beton.
- e) The company has purchased clinker from Titan Cement Company S.A Greece amounting to KEGP 10,671
- f) Total cost of clinker sold to Beni Suef Cement Company for 31 December 2011 amounted to KEGP 10,671.

**34 CURRENT EVENTS**

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

It is difficult to conclude any impact for the said period.

**35 COMPARATIVE FIGURES**

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