

**BENI SUEF 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 BENI SUEF CEMENT COMPANY (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of **Beni Suef 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 Standards on Auditing and applicable Egyptian laws. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

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

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

The scope of our audit procedures was established based on the tolerable error set for Titan Cement Company S A group reporting purposes amounting to Euro 1,300K. 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 **Beni Suef 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.

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

- Complying with Beni Suef's Governor decision to collect state development fees of LE 2 against each cement ton produced effective 22 October 2002, the Company has paid amounts to Beni Suef Governorate on account of the amounts due by the Company and in return has raised a court case to cancel that decision and refund the amounts paid. The Company's legal advisor believes that the likelihood of the Company gaining this case is probable, accordingly, the total balance paid amounting to LE 9.6 M as of 31 December 2011 was included in the other current assets until the final ruling in the court case.

- The Nile Organization has raised a court case against the Company claiming compensation amounting to LE 300 M for the harms resulted from the Company's use of the quarries land. The Company's legal advisor believes that the likelihood of the Company gaining this case is probable.

- During the 4th quarter of 2007, the Company obtained the license for the second line for cement production for LE 135 M through a bid held by the Trading and Industrial Authority. The Industrial Development Authority subsequently raised the license value to LE 251 M where the Company in return has raised a court case against the Industrial Development Authority during October 2008 to safeguard its right in the license. The Company's legal advisor believes that the likelihood of the Company gaining this case is probable.

- We draw attention to note (16) 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.



Abdelmohsen A. Tageldeen

Certified Public Accountant (USA)

Fellow of the Egyptian Association of Accountants and Auditors

R.A.A. 15058

Cairo: 29 January 2012

Beni Suef Cement Company (S.A.E)

SEPARATE INCOME STATEMENT

For The Year Ended 31 December 2011

	Notes	2011 KEGP	2010 KEGP
Sales	(3)	1,116,247	1,312,428
Cost of sales	(4)	<u>(723,681)</u>	<u>(699,121)</u>
Gross profit		392,566	613,307
Other operating income	(5)	115,593	1,958
Administrative expenses	(6)	(58,417)	(46,961)
Other operating expenses		(2,731)	(20,666)
Provisions	(19)	(4,916)	(9,331)
Provisions no longer required	(19)	1,805	10,832
Gain (loss) on disposal of property, plant and equipment		390	(2,223)
Foreign exchange differences		<u>(15,010)</u>	<u>(33,000)</u>
Operating profit		429,280	513,916
Finance costs	(7)	(27,094)	(35,495)
Finance income		2,750	2,106
Gain from sale of available-for-sale investments		-	119,871
Profits before tax		404,936	600,398
Current income tax expense	(8)	(85,008)	(32,636)
Deferred income tax expense	(8)	(19,976)	(71,283)
Profits for the year		299,952	496,479

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

Beni Suef Cement Company (S.A.E)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2011

	2011 KEGP	2010 KEGP
Profits for the year	<u>299,952</u>	<u>496,479</u>
Total comprehensive income for the year, net of tax	<u>299,952</u>	<u>496,479</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 of the year.

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

Beni Suef Cement Company (S.A.E)

SEPARATE STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 KEGP	2010 KEGP
Assets			
Non-current assets			
Property, plant and equipment	(9)	2,286,656	2,331,064
Construction in progress	(10)	21,086	17,209
Intangible assets	(11)	89,203	92,320
Investments in associate	(12)	-	-
		<u>2,396,945</u>	<u>2,440,593</u>
Current assets			
Inventories, net	(13)	124,790	119,220
Accounts receivable, net	(14)	-	-
Due from related parties, net	(15)	3,592	2,108
Prepayments and other receivables	(16)	171,801	106,806
Cash and short-term deposits	(17)	40,861	19,701
		<u>341,044</u>	<u>247,835</u>
Total assets		<u><u>2,737,989</u></u>	<u><u>2,688,428</u></u>
Equity and liabilities			
Equity			
Issued capital	(18)	520,000	520,000
Legal reserve		64,949	41,615
Retained earnings		175,901	93,590
Profits for the year		299,952	496,479
Assets revaluation reserve		528,996	580,033
Total equity		<u>1,589,798</u>	<u>1,731,717</u>
Non-current liabilities			
Provisions	(19)	14,647	11,624
Credit facility	(20)	-	-
Non current portion from instalments	(21)	31,884	44,637
Interest-bearing loans and borrowings	(22)	116,858	142,835
Deferred tax liability	(8)	383,170	324,841
		<u>546,559</u>	<u>523,937</u>
Current liabilities			
Trade payables	(24)	63,456	37,772
Notes payable		4,665	-
Advances from customers		175,471	103,017
Accrued expenses and other payables	(25)	55,404	80,319
Income tax payable		85,828	22,111
Current portion of instalments	(21)	12,753	12,753
Interest-bearing loans and borrowings	(22)	38,953	35,708
Other current financial liabilities	(23)	-	1,003
Dividends payable		710	-
Due to related parties	(26)	11,592	116,591
Short term borrowings – Parent	(27)	152,800	23,500
		<u>601,632</u>	<u>432,774</u>
Total equity and liabilities		<u><u>2,737,989</u></u>	<u><u>2,688,428</u></u>



Chief Financial Officer



Chief Executive Officer

- The accompanying notes from (1) to (37) are an integral part of these financial statements.
- Auditor's report attached

Beni Suef Cement Company (S.A.E)

SEPARATE STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2011

	Issued capital	Legal reserve	Retained earnings	Net Profit for the year	Asset revaluation reserve	Total
	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP
As at 1 January 2010	520,000	28,619	31,384	274,617	594,224	1,448,844
Transferred to legal reserve	-	12,996	(12,996)	-	-	-
Transferred to retained earnings	-	-	274,617	(274,617)	-	-
Dividends	-	-	(213,606)	-	-	(213,606)
Depreciation transferred for buildings and machinery equipment	-	-	14,191	-	(14,191)	-
Profits for the year	-	-	-	496,479	-	496,479
At 31 December 2010	520,000	41,615	93,590	496,479	580,033	1,731,717
As at 1 January 2011	520,000	41,615	93,590	496,479	580,033	1,731,717
Transferred to legal reserve	-	23,334	(23,334)	-	-	-
Transferred to retained earnings	-	-	496,479	(496,479)	-	-
Dividends (note 34)	-	-	(403,519)	-	-	(403,519)
Depreciation transferred for buildings and machinery equipment	-	-	12,685	-	(51,037)	(38,352)
Profits for the year	-	-	-	299,952	-	299,952
At 31 December 2011	520,000	64,949	175,901	299,952	528,996	1,589,798

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

Beni Suef Cement Company (S.A.E)
 SEPARATE STATEMENT OF CASH FLOWS
 For The Year Ended 31 December 2011

	Notes	2011 KEGP	2010 KEGP
Operating activities			
Profits before tax		404,936	600,398
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation of property, plant and equipment	(9)	68,911	65,899
Amortization of intangible assets	(11)	3,117	3,279
Finance costs	(7)	27,094	35,495
Finance income		(2,750)	(2,106)
Provisions		3,023	(3,274)
Movement in provisions for slow moving inventory		1,436	(3,700)
(Gain) /Losses on disposal of property, plant and equipment		(390)	2,223
Gain from sale of available for sale investments		-	(119,871)
Unrealized forex		15,227	33,785
		<u>520,604</u>	<u>612,128</u>
Working capital adjustments :			
Restricted cash		2,288	782
Change in inventories		(7,006)	(11,019)
Change in due from related parties		(1,484)	(158)
Change in prepayments and other receivables		(64,987)	(7,376)
Change in trade payable		25,684	1,592
Change in Notes payable		4,665	-
Change in advances from customers		72,454	(27,594)
Change in accrued expenses and other payables		(24,364)	3,549
Change in due to related parties		(94,692)	57,814
		<u>433,162</u>	<u>629,718</u>
Interest received		2,743	2,099
Income tax paid		(21,291)	-
Net cash flows from operating activities		<u>414,614</u>	<u>631,817</u>
Investing activities			
Payments to acquire construction in progress	(10)	(28,442)	(85,996)
Proceeds from disposal of property, plant and equipment		452	2,132
Proceeds from sale of investments		-	137,360
Net cash flows (used in) from investing activities		<u>(27,990)</u>	<u>53,496</u>
Financing activities			
Dividends paid		(402,809)	(213,606)
Change in credit facilities		-	(160,000)
Change of borrowings		(35,485)	(39,289)
Change in Short term borrowings – related party		129,300	(232,670)
Payment of non - current liabilities		(1,003)	(2,007)
Interest paid		(37,952)	(23,098)
Net cash flows (used in) financing activities		<u>(347,949)</u>	<u>(670,670)</u>
Unrealized forex		(15,227)	(407)
Net increase in cash and cash equivalents		38,675	14,643
Cash and cash equivalent at 1 January		17,137	2,901
Cash and cash equivalent at 31 December 2011	(17)	<u>40,585</u>	<u>17,137</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 at banks	(17)	40,861	19,701
Less:			
Reserved Time deposits		(276)	(2,564)
		<u>40,585</u>	<u>17,137</u>

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

1 CORPORATE INFORMATION

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

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

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

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

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

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

2 BASIS OF PREPARATION AND 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.

2 Basis of preparation and accounting policies - Continued

2-2 Changes in accounting policies - continued

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:

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 counties 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 Basis of preparation and accounting policies - Continued

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.

2-7 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.

2 Basis of preparation and accounting policies - Continued

2-7 Taxes- continued

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.

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 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
Vehicles	5 - 20
Furniture and office equipment	5 - 10
Tools	5

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.

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

2 Basis of preparation and accounting policies - Continued

2-9 Property, plant and equipment and depreciation- continued

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.

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 revalued 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 revalued 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.

2-10 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.

2-11 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 Basis of preparation and accounting policies- Continued

2-12 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

2-13 Accounts receivable

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.

2-14 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.

2-15 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.

2-16 Lease

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

2 Basis of preparation and accounting policies- continued

2-17 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.

2-18 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.

2-19 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.

2-20 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.

2-21 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.

2-22 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.

2-23 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.

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

3 SALES

	2011 KEGP	2010 KEGP
Cement sales (domestic)	1,099,987	1,309,231
Export sales	12,139	-
Other revenue	4,121	3,197
	<u>1,116,247</u>	<u>1,312,428</u>

4 COST OF SALES

	2011 KEGP	2010 KEGP
Variable costs	404,567	440,976
Fixed costs	121,033	95,794
Packing costs	96,961	84,503
Depreciation of property, plant and equipment	67,699	64,889
Distribution costs	36,197	17,688
Allowance for obsolete and slow moving inventory	3,734	3,060
Inventory change	(6,510)	(7,789)
	<u>723,681</u>	<u>699,121</u>

5 OTHER OPERATING INCOME

	2011 KEGP	2010 KEGP
Refundable clay fees (Note 16)	112,238	-
Scrap sales	634	1,135
Others	2,721	823
	<u>115,593</u>	<u>1,958</u>

6 ADMINISTRATIVE EXPENSES

	2011 KEGP	2010 KEGP
Administrative expenses	49,193	35,489
Selling and marketing expenses	4,895	7,183
Amortization of intangible assets	3,117	3,279
Depreciation of property, plant and equipment	1,212	1,010
	<u>58,417</u>	<u>46,961</u>

7 FINANCE COSTS

	2011 KEGP	2010 KEGP
Interest on credit facility	7,825	11,929
Interest on borrowings from parent	9,590	12,367
Interest on instalments	4,876	6,061
Interest on debts and borrowings	4,803	5,138
	<u>27,094</u>	<u>35,495</u>

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

8 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	85,008	32,636
Deferred tax expense	19,976	71,283
	<u>104,984</u>	<u>103,919</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>369,720</u>		<u>557,377</u>
Income tax at the applicable tax rate	24.8%	91,930	20%	111,475
Add/subtract the tax effect of below items:				
Gain from sale of Investment available for sale		-		(23,974)
Depreciation and amortization		(9,081)		(25,135)
Provisions		1,114		(1,395)
Others		1,045		(269)
Carried forward losses		-		(28,066)
Income tax for the year	22.9%	<u>85,008</u>	8.5%	<u>32,636</u>

DEFERRED TAX

	Statement of financial position		Income statement	
	2011 KEGP	2010 KEGP	2011 KEGP	2010 KEGP
Revaluation reserve	(180,222)	(145,062)	3,193	3,561
Depreciation and amortization	(208,001)	(183,023)	(24,978)	(41,925)
Provisions	5,053	3,244	1,809	(1,394)
Carry forward losses	-	-	-	(31,525)
Net deferred tax (liability)	<u>(383,170)</u>	<u>(324,841)</u>	<u>(19,976)</u>	<u>(71,283)</u>

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

9 PROPERTY, PLANT AND EQUIPMENT

	Land KEGP	Buildings KEGP	Machinery and equipment KEGP	Vehicles KEGP	Furniture and Fixture KEGP	Tools KEGP	Total KEGP
Cost or valuation:							
At 1 January 2011	324,472	238,014	1,874,880	97,582	10,662	8,649	2,554,259
Transfer from construction in progress	-	-	17,622	2,188	607	4,148	24,565
Disposals	-	-	-	(1,261)	-	-	(1,261)
At 31 December 2011	<u>324,472</u>	<u>238,014</u>	<u>1,892,502</u>	<u>98,509</u>	<u>11,269</u>	<u>12,797</u>	<u>2,577,563</u>
Accumulated depreciation:							
At 1 January 2011	-	21,990	98,219	89,844	8,390	4,752	223,195
Depreciation charge for the year	-	8,830	55,193	2,599	1,000	1,289	68,911
Disposals	-	-	-	(1,199)	-	-	(1,199)
At 31 December 2011	-	<u>30,820</u>	<u>153,412</u>	<u>91,244</u>	<u>9,390</u>	<u>6,041</u>	<u>290,907</u>
Net book value:							
At 31 December 2011	<u>324,472</u>	<u>207,194</u>	<u>1,739,090</u>	<u>7,265</u>	<u>1,879</u>	<u>6,756</u>	<u>2,286,656</u>
At 31 December 2010	<u>324,472</u>	<u>216,024</u>	<u>1,776,661</u>	<u>7,738</u>	<u>2,272</u>	<u>3,897</u>	<u>2,331,064</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 86,837 as of 31 December 2011 (31 December 2010: KEGP 87,295).
- The depreciation charge for the year has been allocated to the income statement as follows:

	2011 KEGP	2010 KEGP
Cost of sales	67,699	64,889
Administrative expenses	<u>1,212</u>	<u>1,010</u>
	<u>68,911</u>	<u>65,899</u>

Revaluation of land and buildings

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

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

10 CONSTRUCTION IN PROGRESS

	2011 KEGP	2010 KEGP
At 1 January	17,209	85,764
Additions	28,442	73,714
Transferred to property, plant and equipment	(24,565)	(141,983)
Transferred to intangible assets	-	(53)
Write off construction in progress	-	(233)
At 31 December 2011	21,086	17,209

11 INTANGIBLE ASSETS

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

	2011 KEGP	2010 KEGP
Cost		
At 1 January	104,942	104,889
Additions	-	53
At 31 December 2011	104,942	104,942
Accumulated amortization		
At 1 January	12,622	9,343
Amortization	3,117	3,279
At 31 December 2011	15,739	12,622
Net book value	89,203	92,320

- The gross carrying amount of fully amortized intangible assets that are still in use amounted to KEGP 7,750 as of 31 December 2011 (31 December 2010: KEGP 6,626).

12 INVESTMENTS IN ASSOCIATE

	% of ownership	2011 KEGP	2010 KEGP
Misrieen Titan for Trade and Distribution Company	50%	106	106
Impairment of investments in associate		(106)	(106)
		-	-

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

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

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

13 INVENTORIES, NET

	2011 KEGP	2010 KEGP
Raw materials	1,218	5,010
Work in process	18,766	13,377
Finished goods	9,504	8,359
Spare parts and supplies	91,055	89,555
Packing materials	3,873	10,365
Consumable stores	2,576	7,839
Goods in transit	3,363	1,359
	<u>130,355</u>	<u>135,864</u>
Less: decline in value of inventory	(5,565)	(4,129)
Strategic spare parts transferred to machinery and equipment	-	(12,515)
Total inventories at cost	<u><u>124,790</u></u>	<u><u>119,220</u></u>

14 ACCOUNTS RECEIVABLE, NET

	2011 KEGP	2010 KEGP
Accounts receivable	31	31
Less: impairment of accounts receivable	<u>(31)</u>	<u>(31)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

15 DUE FROM RELATED PARTIES, NET

		2011 KEGP	2010 KEGP
Misrieen Titan for Trade and Distribution Company	Current account	3,156	3,156
Alexandria Portland Cement Company (S.A.E)	Current account	1,386	-
Titan Beton & Aggregates Egypt	Current account	104	56
Zlatna Panega Cement	Current account	16	-
Mathedonia	Current account	15	-
East Cement	Current account	11	-
Antea	Current account	8	-
		<u>4,696</u>	<u>3,212</u>
Less: impairment of due from related parties		<u>(1,104)</u>	<u>(1,104)</u>
		<u><u>3,592</u></u>	<u><u>2,108</u></u>

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

16 PREPAYMENTS AND OTHER RECEIVABLES

	2011 KEGP	2010 KEGP
Tax Authority- refundable clay fees *	67,487	-
Deposits with others	37,514	36,381
Advances to suppliers	17,455	12,154
Other debtors	13,111	12,063
Amounts receivable from Beni Suef Governorate	9,593	9,593
Tax authority- Sales tax	8,925	29,902
Employees' receivables	6,625	1,229
Prepaid expenses	6,363	1,592
Customs authority	4,037	3,506
Tax authority- withholding tax	674	376
Accrued interest receivable	17	10
	<u>171,801</u>	<u>106,806</u>

* Refundable clay fees amounting to KEGP 67,487 represents net amount due from Tax Authority amounting to KEGP 112,238 after deducting consumption from December 2010 up to December 2011 amounting to KEGP 44,751. 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 112,238 (Note 5) of the two above mentioned rates should be recorded as tax receivable (assets) against other operating 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.

17 CASH AND SHORT-TERM DEPOSITS

	2011 KEGP	2010 KEGP
a) Egyptian pound		
Cash at banks- current accounts	31,034	16,935
	<u>31,034</u>	<u>16,935</u>
b) Foreign currency		
Cash at banks- current accounts	9,551	202
	<u>9,551</u>	<u>202</u>
	<u>40,585</u>	<u>17,137</u>
Reserved deposits	276	2,564
	<u>40,861</u>	<u>19,701</u>

Cash at banks earn interest at floating rates based on daily bank deposit rates.

The restricted cash held with Bank of Alexandria and National Société General Bank of KEGP 276 is reserved against letter of guarantees issued by the Company in favour of third parties (note 29).

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

18 ISSUED CAPITAL

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

	% of ownership	No. of Shares	Value KEGP
Alexandria Portland Cement Company (S.A.E)	99.998	51999	519,990
Iapetos Limited	0.00192	1,000	1,000
Titan Egyptian Investment Limited	0.00002	10	10
	<u>100.000</u>	<u>52000</u>	<u>520,000</u>

19 PROVISIONS

	Balance as of 1 January 2011 KEGP	Charged KEGP	Used KEGP	No longer required KEGP	Balance as of 31 December 2011 KEGP
Provision for litigation	3,741	1,200	(88)	-	4,853
Provision for training	6,616	3,716	-	(1,805)	8,527
Provision for other claims	1,267	-	-	-	1,267
	<u>11,624</u>	<u>4,916</u>	<u>(88)</u>	<u>(1,805)</u>	<u>14,647</u>

20 CREDIT FACILITY

	Interest rate Average of	Maturity	2011 KEGP	2010 KEGP
Credit facility	CAIBOR+1% CBE rate+1.25%	12 June 2013	-	-
			<u>-</u>	<u>-</u>

According to the credit facility agreement signed on 12 June 2008, the Company had obtained a revolving credit facility amounting to LE 700 M from HSBC (Mandated Lead Arranger & Facility Agent), National Societe Generale Bank and Piraeus Bank to be repaid after five years from the signing date of the agreement. The Company has repaid all the outstanding facility balance during the year ended 31 December 2011.

21 TERM INSTALLMENTS

On 19 July 2009, the Company entered in a new agreement with the Egyptian Electricity Transmission Company to install new power transformers stations needed to supply electricity to the second line expansion project of the plant amounted to KEGP 75,020, the Company has paid KEGP 11,253 and the remaining balance amounting to KEGP 63,767 will be paid over 10 semi-annually instalments with an annual interest rate to be calculated according to the loan interest rate announced by the Central Bank of Egypt at the due date of each instalment, The outstanding balance as of 31 December 2011 amounted to KEGP 44,637 (exclusive interest).

	Current portion 2011 KEGP	2010 KEGP	Non-current portion 2011 KEGP	2010 KEGP
Balance	<u>12,753</u>	<u>12,753</u>	<u>31,884</u>	<u>44,637</u>

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

22 LOANS AND BORROWINGS

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

The loan balance as of 31 December 2011 amounted to KEGP 155,811 (exclusive interest) as follows:

	Current portion		Non-current portion	
	2011 KEGP	2010 KEGP	2011 KEGP	2010 KEGP
Balance	<u>38,953</u>	<u>35,708</u>	<u>116,858</u>	<u>142,835</u>

23 OTHER NON-CURRENT FINANCIAL LIABILITIES

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

The Company sold these treasury stocks later to Alexandria Portland Cement Company.

The Company has paid the balance due to Mining and Refractories Holding Company amounting to KEGP 1,003 during the 2nd quarter of 2011.

	Current portion		Non-current portion	
	2011 KEGP	2010 KEGP	2011 KEGP	2010 KEGP
Balance	<u>-</u>	<u>1,003</u>	<u>-</u>	<u>-</u>

24 TRADE PAYABLES

	2011 KEGP	2010 KEGP
Trade payables - Egyptian pounds	60,310	36,994
Trade payables - Foreign currencies	<u>3,146</u>	<u>778</u>
	<u>63,456</u>	<u>37,772</u>

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

25 ACCRUED EXPENSES AND OTHER PAYABLES

	2011 KEGP	2010 KEGP
Accrued other expenses	15,448	32,065
Tax authority- sales tax	11,471	12,134
Accrued gas cost	7,207	5,946
Accrued electricity cost	7,204	6,578
Accrued vehicles and trucks rent	151	6,379
Accrued interest payable	2,466	3,017
Accrued employees bonus	4,140	4,566
Tax authority- withholding tax	1,676	905
Retention from others	1,409	938
Tax authority- payroll tax	281	257
Social insurance authority	234	180
Accrued employees salaries	196	137
Tax authority- other taxes	47	39
Tax authority- income tax	2,852	2,852
Accrued development fees	-	3,845
Other credit balances	622	481
	<u>55,404</u>	<u>80,319</u>

26 DUE TO RELATED PARTIES

		2011 KEGP	2010 KEGP
Alexandria Portland Cement Company	Current account	-	93,752
Alexandria Portland Cement Company (Note 27)	Accrued interest	9,411	19,718
Titan Cement Company S.A	Current account	2,181	3,121
		<u>11,592</u>	<u>116,591</u>

27 SHORT TERM BORROWINGS – PARENT

During the period ended 30 June 2011, the Company obtained a short term loan from Alexandria Portland Cement Company (major shareholder) 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 2011 amounted to KEGP 152,800 (exclusive interests) (2010: KEGP 23,500).

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.

28 PURCHASE COMMITMENTS

	Current portion KEGP	From 1 to 5 years KEGP	More than 5 years KEGP	Total KEGP
<i>Future purchase commitments:</i>				
Gas supply	85,815	429,076	808,093	<u>1,322,984</u>

The purchase commitment amounting to KEGP 1,322,984 represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the Company.

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

29 CONTINGENT LIABILITIES

The Company contingent liabilities represents bank guarantees resulted from the Company activities, accordingly, the Company contingent liabilities has reached KEGP 251,276 as of 31 December 2011 against letter of guarantee cash margin amounting to KEGP 276 (Note 17) as shown below:

	Amount in currency 000'	Equivalent in KEGP	Cash margin KEGP
NSGB		276	276
CIB		251,000	-
		<u>251,276</u>	<u>276</u>

30 TAX SITUATION

a) Corporate taxes

- The Company enjoyed a tax holiday for ten years ended on 30 June 2004.
- The Company's records were inspected till the year 2004 and the tax due is being settled.
- The Company's records were inspected for the year 2005 and the dispute had transferred to the appeal committee.
- The year ended 31 December 2006 is under inspection.
- No tax inspection took place for the Company's records for the years 2007, 2008, 2009, 2010 and 2011.

b) Sales taxes

- The Company's records were inspected from inception up to the year 2006 and the taxes due were paid.
- The Company's records were inspected for the years 2007 and 2008 and the inspection are transferred to internal committee
- No tax inspection took place for the Company's records for the year 2009, 2010 and 2011.

c) Salary taxes

- The Company's records were inspected from inception up to the year 2000 and all taxes due were paid.
- The Company's records are currently being inspected for the years from 2001 till 2004 and all tax dues were settled and paid.
- No tax inspection took place for the Company's records for the years from 2005 till 2011.

d) Stamp duty taxes

- The Company's records were inspected till the year 2005 and the taxes due were paid.
- No tax inspection took place for the Company's records for the years 2006, 2007, 2008, 2009, 2010 and 2011.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

31 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.

32 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 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 13,161, whereas, the total financial liabilities denominated in foreign currencies amount to KEGP 161,278.

- 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	3,592	2,108
Bank accounts and short-term deposits	40,861	19,701
Other receivables	171,801	106,806
	<u>216,254</u>	<u>128,615</u>

Beni Suef Cement Company (S.A.E)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

33 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

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 KEGP</i>	<i>6 to 12 months KEGP</i>	<i>1 to 5 Years KEGP</i>	<i>> 5 years KEGP</i>	<i>Total KEGP</i>
<u>Year ended 31 December 2011:</u>					
Credit facility	-	-	-	-	-
Interest bearing loans and borrowings	-	38,953	116,858	-	155,811
Short term loan- related party	152,800	-	-	-	152,800
Term Instalments	6,377	6,376	31,884	-	44,637
Trade payables	63,456	-	-	-	63,456
Accrued expenses and other payable	55,404	-	-	-	55,404
Advances from customers	175,471	-	-	-	175,471
Due to related parties	11,592	-	-	-	11,592
	<u>465,100</u>	<u>45,329</u>	<u>148,742</u>	-	<u>659,171</u>
<u>Year ended 31 December 2010:</u>					
Interest bearing loans and borrowings	-	35,708	142,835	-	178,543
Short term loan- related party	23,500	-	-	-	23,500
Term Instalments	12,753	44,637	-	-	57,390
Other financial liabilities	1,003	-	-	-	1,003
Trade payables	37,772	-	-	-	37,772
Accrued expenses and other payable	77,467	-	-	-	77,467
Advances from customers	103,017	-	-	-	103,017
Due to related parties	116,591	-	-	-	116,591
	<u>372,103</u>	<u>80,345</u>	<u>142,835</u>	-	<u>595,283</u>

34 DIVIDENDS

In accordance with the resolution of the Annual Assembly meeting held 18th April 2011, the Company has declared dividends to shareholders amounted to EGP 403.5 M which was paid during June 2011.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2011

35 RELATED PARTY TRANSACTIONS

- a) Total interest expenses charged to the Company by Alexandria Portland Cement Company for 31 Dec 2011 amounted to KEGP 9,590 included in the finance costs.
- b) Total cost of clinker charged to the Company by Alexandria Portland Cement Company for 31 Dec 2011 amounted to KEGP 10,671.

36 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.

37 COMPARATIVE FIGURES

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