ALEXANDRIA PORTLAND CEMENT COMPANY (S.A.E)
SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
TOGETHER WITH AUDITOR'S REPORT

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AUDITOR'S REPORT TO THE MANAGMENT 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 statement of financial position as at 31 December 2012, as well as the related separate statements 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. 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 threshold set for **Titan Cement Company SA** group reporting purposes. 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

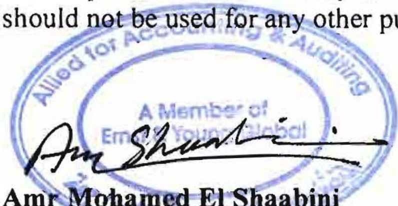
In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **Alexandria Portland Cement Company (S.A.E)** as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the related applicable Egyptian laws and regulations.

Emphasis of Matter:

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

The Company created a training provision of 1% from net profit before tax for prior years in accordance with Law No 12, article 133 for the year 2003. During the year the company has reversed the training provision amounting to EGP 16.9 Millions based on the legal counselor opinion who believes that there is no need to create training provision as the company provides training programs to its employees.

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.



Amr Mohamed El Shaabini
Fellow of the Egyptian Association of Accountants and Auditors
Fellow of the Egyptian Tax Association
R.A.A. 9365

Cairo: 29 January 2013

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2012

	Notes	2012 EGP'000'	2011 EGP'000'
Sales	(3)	**743,352**	822,514
Cost of sales	(4)	**(532,517)**	(565,469)
Gross profit		**210,835**	257,045
Other operating income		**9,013**	101,173
Administrative expenses	(5)	**(26,716)**	(26,011)
Other operating expenses		**(5,398)**	(16,985)
Provisions	(19)	**(2,740)**	(7,141)
Provisions no longer required	(19)	**16,927**	1,021
Reversal of investment impairment		**1,270**	-
Trade receivable impairment		**(198)**	-
(Loss) from sale of property, plant and equipment		**-**	(130)
Foreign exchange difference		**(40,670)**	(7,120)
Operating profit		**162,323**	301,852
Finance cost	(6)	**(55,501)**	(57,714)
Finance income		**8,110**	22,025
Dividends received	(30)	**231,459**	403,512
Profits before tax		**346,391**	669,675
Deferred tax expense	(7)	**(5,330)**	(2,670)
Income tax expense	(7)	**(34,941)**	(72,586)
Profits for the year		**306,120**	594,419
Other comprehensive income		**-**	-
Comprehensive income for the year, net of tax		**306,120**	594,419
Earnings per share	(28)	**1.19**	2.31

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

SEPARATE FINANCIAL POSITION
At 31 December 2012

	Notes	2012 EGP'000'	2011 EGP'000'
Assets			
Non-current assets			
Property, plant and equipment	(8)	**1,985,160**	2,018,902
Construction in progress	(9)	**43,236**	11,533
Intangible assets	(10)	**1,249**	2,769
Held-to-maturity investments		**359**	359
Investment in subsidiaries	(11)	**3,242,926**	3,241,656
Total Non-current assets		**5,272,930**	5,275,219
Current assets			
Inventories	(12)	**204,894**	180,464
Accounts receivable		**-**	198
Due from related parties	(13 a)	**635**	9,456
Loan receivable- subsidiary	(14)	**-**	152,800
Prepayments and other receivables	(15)	**69,684**	105,021
Cash and bank	(16)	**49,534**	135,229
Total current assets		**324,747**	583,168
Total assets		**5,597,677**	5,858,387
Equity and liabilities			
Equity			
Issued capital	(17)	**2,570,575**	2,570,575
Legal reserve		**104,594**	72,899
General reserve		**56,286**	140,239
Retained earnings		**83,871**	210,668
Profit for the year		**306,120**	594,419
Assets revaluation reserve		**953,943**	972,205
Total equity		**4,075,389**	4,561,005
Non-current liabilities			
Term loans- related parties	(18)	**570,858**	569,499
Other non-current financial liability		**276**	281
Provisions	(19)	**2,425**	17,379
Deferred tax liability	(7)	**397,957**	392,627
Total Non-current liabilities		**971,516**	979,786
Current liabilities			
Trade payables	(20)	**47,549**	51,421
Notes Payable		**-**	850
Advances from customers		**92,062**	113,268
Accrued expenses and other payables	(21)	**51,495**	28,033
Income tax payable		**35,501**	72,586
Due to related parties	(13 b)	**72,238**	8,366
Loan payable – subsidiary	(23)	**251,640**	42,785
Dividends payable		**287**	287
Total Current liabilities		**550,772**	317,596
Total equity and liabilities		**5,597,677**	5,858,387

Chief Financial Officer **Chief Executive Officer**

- The accompanying notes from (1) to (32) 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 2012

	Issued Capital EGP'000'	Legal reserve EGP'000'	General Reserve EGP'000'	Retained earnings EGP'000'	Profit for the year EGP'000'	Assets Revaluation reserve EGP'000'	Total Equity EGP'000'
As at 1 January 2011	2,570,575	60,287	372,454	191,138	225,160	1,061,040	4,480,654
Transfer to retained earnings	-	-	-	225,160	(225,160)	-	-
Transfer to legal reserve	-	12,612	-	(12,612)	-	-	-
Dividends declared	-	-	(232,215)	(212,494)	-	-	(444,709)
Depreciation transferred for revalued buildings, machinery and equipment	-	-	-	19,476	-	(88,835)	(69,359)
Profit for the year	-	-	-	-	594,419	-	594,419
At 31 December 2011	**2,570,575**	**72,899**	**140,239**	**210,668**	**594,419**	**972,205**	**4,561,005**
As at 1 January 2012	2,570,575	72,899	140,239	210,668	594,419	972,205	4,561,005
Transferred to retained earnings	-	-	-	594,419	(594,419)	-	-
Transferred to legal reserve	-	31,695	-	(31,695)	-	-	-
Dividends declared (note 29)	-	-	(83,953)	(707,783)	-	-	(791,736)
Depreciation transferred for revalued buildings, machinery and equipment	-	-	-	18,262	-	(18,262)	-
Profits for the year	-	-	-	-	306,120	-	306,120
At 31 December 2012	**2,570,575**	**104,594**	**56,286**	**83,871**	**306,120**	**953,943**	**4,075,389**

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

SEPARATE STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2012

	Notes	2012 EGP'000'	2011 EGP'000'
Operating activities			
Profits before tax		**346,391**	669,675
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation of property, plant and equipment	(8)	**48,445**	48,241
Amortization of intangible assets	(10)	**1,520**	2,174
Finance costs	(6)	**55,501**	57,714
Finance income		**(8,110)**	(22,025)
Provisions	(19)	**(14,187)**	6,120
Movement in provisions for slow moving inventory	(12)	**1,706**	(9,625)
Reversal of investment impairment	(11)	**(1,270)**	-
Trade receivable impairment		**198**	-
Loss on disposal of property, plant and equipment		**-**	130
Unrealized forex		**42,135**	8,904
		472,329	761,308
Working capital adjustments :			
Change in restricted cash		**(333)**	-
Change in inventories		**(26,136)**	(23,267)
Change in due from related parties		**(590)**	93,707
Change in prepayments and other receivables		**35,251**	(51,318)
Change in trade payable		**(3,872)**	(8,964)
Change in Notes payable		**(850)**	850
Change in advances from customers		**(21,206)**	24,402
Change in accrued expenses and other payables		**23,462**	(17,618)
Change in due to related parties		**35,091**	1,227
		513,146	780,327
Provision used		**(767)**	(120)
Interest received		**17,607**	32,561
Income tax paid		(72,026)	(54,140)
Net cash flows from operating activities		**457,960**	758,628
Investing activities			
Proceeds from sale of property, plant & equipment		**-**	227
Payments to acquire property, plant and equipment		**-**	(7,409)
Payments to acquire construction in progress	(9)	**(46,406)**	(28,771)
Other noncurrent financial liabilities		**(5)**	(15)
Net cash flows (used in) investing activities		**(46,411)**	(35,968)
Financing activities			
Dividends paid	(29)	**(791,736)**	(444,730)
Change in term loans –related parties		**1,359**	(190,514)
Change in loan receivable- subsidiary	(14)	**152,800**	(129,300)
Change in loans payable- subsidiary		**208,855**	42,785
Interest paid		**(26,720)**	(56,428)
Net cash flows (used in) financing activates		**(455,442)**	(778,187)
Net (decrease) in cash and cash equivalents		**(43,893)**	(55,527)
Unrealized forex		**(42,135)**	(8,904)
Cash and cash equivalent at 1 January		**134,169**	198,600
Cash and cash equivalent at 31 December 2012	(16)	**48,141**	134,169

SEPARATE STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2012

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

	Note	**2012**	2011
		EGP'000'	EGP'000'
Cash on hand and short term deposits	(16)	**49,534**	135,229
Less:			
Reserved Time deposits		**(1,393)**	(1,060)
		48,141	134,169

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

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

The financial statements were approved by the management on 20 January 2013.

2-2 Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous year, except as follows:

New and revised Accounting Standards and Interpretations

(a) Standards, amendments and interpretations effective from 1 January 2011 which are adopted by the Company during 2011 are as follows:

IAS 24 Related Party Transactions (Amendment) (effective annual periods beginning on or after 1 January 2011);
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

Improvements to IFRSs

In May 2010, the IASB issued its third 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 or disclosures, but no impact on the financial position or performance of the Company.

IAS 1 Presentation of Financial Statements
The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The Company provides this analysis in the statement of comprehensive income.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combination (Amendment to measurement options available for non-controlling interest)
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IFRS 7 Financial Instruments: Disclosures
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements

The following interpretations and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

(b) Standards, amendments and interpretations effective in 2011 but not relevant to the Company's operations are as follows:

The following interpretations of published standards are mandatory for accounting periods beginning on or after 1 January 2011 but are not relevant to the Company's operations:

IAS 32 Financial Instruments: Presentation (Amendment) (effective for annual periods beginning on or after 1 February 2010)
IFRS 1 First-time adoption of International Financial Reporting Standards –Limited exemption from comparative IFRS 7 disclosures for First-time adopters (effective 1 July 2010)
IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) (effective 1 January 2011)
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)

(c) Standards, amendments and Interpretations in issue but not effective

At the date of authorisation of these financial statements, other than the Standards and Interpretations adopted by the Company (as described above) the following Standards and Interpretations were in issue but not yet effective:

IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
IAS 12 Income Taxes - Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012);
IAS 19 Employee Benefits (Amendment) (effective for annual periods beginning on or after 1 January 2013);
IAS 27 Separate Financial Statements (as revised in 2011) (effective for annual periods beginning on or after 1 January 2013);
IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) (effective for annual periods beginning on or after 1 January 2013);
IAS 32 Financial Instruments: Presentation (Amendment) – Guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);
IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements (effective for annual periods beginning on or after 1 July 2011);
IFRS 7 Financial Instruments: Disclosures — Enhanced Disclosure Requirements about offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013);
IFRS 7 Financial Instruments: Disclosures — Disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015 or otherwise when IFRS 9 is applied);
IFRS 9 Financial Instruments Classification and Measurement (effective for annual periods beginning on or after 1 January 2015);
IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013);
IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013);
IFRS 12 Disclosure of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2013); and
IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).

The management anticipates that all of the above Standards and Interpretations will be adopted by the Company to the extent applicable to them from their effective dates. The adoption of these Standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Company in the period of their initial application.

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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 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.

2-5 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

2-6 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.

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

2-7 Held to maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity.
Held to maturity investments are initially recognized at fair value inclusive direct attributable expenses.
After initial recognition, the held to maturity investments are measured at amortized cost using the effective interest method less impairment. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, impairment is recovered, as well as through the amortization process.

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

2-8 Investments in subsidiaries

Investments in Subsidiaries are accounted for using the cost method. In case of permanent impairment in the value of the investment from its book value, the book value is to be adjusted by the amount of decrease and impairment loss is recognized in the income statement for each investment separately.
Revenue from investments is recognized based on to the dividends received from the investor companies, from earnings generated after the date of acquisition of those investments, this is after the date of dividends distribution declaration approved by the General Assembly Meetings of those investor companies.

2-9 Property, plant and equipment and depreciation

Vehicles, furniture and office equipment and tools are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the vehicles, furniture and office equipment and tools when that cost is incurred, if the recognition criteria are met.
Depreciation is computed using the straight-line method according to the estimated useful life of the asset as follows:

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

Effective from May 2008, land, buildings and machinery equipment (include strategic spare parts) are measured at fair value less accumulated depreciation on buildings and machinery equipment (include strategic spare parts) and impairment losses recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalue asset does not differ materially from its carrying amount.

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:

	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 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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.
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).

2-12 Inventories

Inventories are valued at the lower of cost and net realizable value.
Costs incurred in bringing each product to its present location and 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

2-13 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.

2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

- **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.

2-17 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 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

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 cash equivalent

Cash and cash equivalent 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.

3 SALES

	2012 EGP '000'	2011 EGP '000'
Cement sales (domestic)	**798,746**	889,610
Cement sales (Export)	**5,234**	-
Clinker sales (domestic)	**9,312**	10,671
Rebate	**(69,940)**	(77,767)
	743,352	822,514

4 COST OF SALES

	2012 EGP '000'	2011 EGP '000'
Variable cost	**311,923**	340,772
Fixed cost	**118,178**	113,379
Packing cost	**67,618**	69,759
Depreciation of property, plant and equipment (Note 8)	**47,709**	47,552
Slow moving inventory	**1,706**	508
Distribution cost	**-**	319
Inventory change	**(14,617)**	(6,820)
	532,517	565,469

5 ADMINISTRATIVE EXPENSES

	2012 EGP '000'	2011 EGP '000'
Administrative expenses	**18,740**	17,887
Selling and marketing expenses	**5,720**	5,261
Amortization of intangible assets (Note 10)	**1,520**	2,174
Depreciation of property, plant and equipment (Note 8)	**736**	689
	26,716	26,011

6 FINANCE COST

	2012 EGP '000'	2011 EGP '000'
Interest on loan from related party (Titan Egypt Investment Ltd)	**37,110**	55,494
Interest on loan from related party (Beni Suef Cement Company)	**12,830**	-
Interest on loan from related party (Titan Beton & Aggregates Egypt)	**817**	1,436
Interest on Credit facility	**3,955**	-
Bank Charges	**789**	784
	55,501	57,714

7 INCOME TAX

The major components of income tax expense for the year ended 31 December 2012 are:

	2012 EGP '000'	2011 EGP '000'
Current income tax expense	**34,941**	72,586
Deferred tax expense	**5,330**	2,670
Income tax expense reported in the income statement	**40,271**	75,256

Reconciliation between tax expense and the accounting profit multiplied by effective tax rate for the year ended 31 December 2012 and 2011 is as follows:

		2012 EGP '000'		2011 EGP '000'
Profits before income taxes- local books		**387,033**		708,008
Income tax at the applicable tax rate	**25%**	**96,258**	25%	176,502
Add/subtract the tax effect of below items:				
Investment income		**(57,865)**		(100,878)
Depreciation of amortization		**(964)**		(6,386)
Provisions		**(3,580)**		(906)
Other expenses		**1,092**		4,254
Income tax for the year	**9.03%**	**34,941**	10.25%	72,586

DEFERRED TAX LIABILITIES

	Statement of financial position		Income statement	
	2012 EGP '000'	2011 EGP '000'	2012 EGP '000'	2011 EGP '000'
Revaluation surplus	**(323,653)**	(329,737)	**6,084**	4,872
Depreciation and amortization	**(93,775)**	(85,673)	**(8,102)**	376
Intercompany interest loan	**16,926**	16,926	**-**	1,720
Provisions	**2,545**	5,857	**(3,312)**	(9,638)
	(397,957)	(392,627)	**(5,330)**	(2,670)

8 PROPERTY, PLANT AND EQUIPMENT

	Land	Lease hold improvement	Buildings	Machinery and equipment	Vehicles	Furniture and Office equipment	Total
	EGP '000'	EGP '000'	EGP '000'	EGP '000'	EGP '000'	EGP '000'	EGP '000'
Cost or valuation							
At 1 January 2012	553,265	25,478	305,358	1,281,929	20,375	20,627	2,207,032
Transfer from construction in progress	-	-	3,889	10,227	97	490	14,703
At 31 December 2012	553,265	25,478	309,247	1,292,156	20,472	21,117	2,221,735
Accumulated depreciation							
At 1 January 2012	-	3,386	30,618	121,326	16,637	16,163	188,130
Depreciation charged for the year	-	116	8,858	36,613	996	1,862	48,445
At 31 December 2012	-	3,502	39,476	157,939	17,633	18,025	236,575
Net book value at 31 December 2012	**553,265**	**21,976**	**269,771**	**1,134,217**	**2,839**	**3,092**	**1,985,160**
Net book value at 31 December 2011	553,265	22,092	274,740	1,160,603	3,738	4,464	2,018,902

- 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 EGP 28,459 thousands as of 31 December 2012 (31 December 2011: EGP 26,124 thousands).
- The company has revalued its land, building and machinery in May 2008 using an independent valuer for land valuation and using Titan Cement Group, Engineering and Technology department for building and machinery valuation. Land valuation is based on market price per square meter adjusted for area, location and industry type. 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:

	2012	2011
	EGP '000'	EGP '000'
Cost of sales	**47,709**	47,552
Administrative expense	**736**	689
	48,445	48,241

9 CONSTRUCTION IN PROGRESS

	2012 EGP '000'	2011 EGP '000'
At 1Janaury	**11,533**	20,800
Additions	**46,406**	28,771
Transferred to property , plant and equipment	**(14,703)**	(37,189)
Transferred to intangible assets	**-**	(849)
Ending balance	**43,236**	11,533

10 INTANGIBLE ASSETS

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

	2012 EGP '000'	2011 EGP '000'
Cost		
Beginning balance	**15,314**	14,465
Transfers from projects under construction	**-**	849
Ending balance	**15,314**	15,314
Accumulated amortization		
Beginning balance	**12,545**	10,371
Amortization	**1,520**	2,174
Ending balance	**14,065**	12,545
Net book value	**1,249**	2,769

11 INVESTMENTS IN SUBSIDIARIES

	Ownership %	2012 EGP '000'	2011 EGP '000'
Beni Suef Cement Company S.A.E	99.99%	**3,165,696**	3,165,696
Titan Beton & Aggregates Egypt L.L.C.	96.54%	**77,230**	77,230
		3,242,926	3,242,926
Impairment loss		**-**	(1,270)
		3,242,926	3,241,656

12 INVENTORIES

	2012 EGP '000'	2011 EGP '000'
Spare parts and supplies	**141,641**	139,999
Semi finished goods	**36,019**	22,802
Raw materials	**20,471**	16,985
Consignment goods with others	**6,572**	-
Packing materials	**4,464**	4,610
Finished goods	**3,293**	1,893
Consumable stores	**131**	166
	212,591	186,455
Less: Decline in value of spare parts	**(7,697)**	(5,991)
	204,894	180,464

13 DUE FROM / TO RELATED PARTIES

A) DUE FROM RELATED PARTIES

	Nature	**2012**	2011
		EGP '000'	EGP '000'
Titan Beton & Aggregates Egypt L.L.C	Current	**635**	37
Titan Company SA	Current	-	8
Beni Suef Cement Company	Interest	-	9,411
		635	9,456

B) DUE TO RELATED PARTIES

	Nature	**2012**	2011
		EGP '000'	EGP '000'
Beni Suef Cement Company	Current	**36,447**	1,386
Titan Egyptian Investment Ltd	Interest	**22,246**	5,544
Beni Suef Cement Company	Interest	**12,830**	-
Titan Beton & Aggregates Egypt L.L.C	Interest	**685**	1,436
Titan Company SA	Current	**30**	-
		72,238	8,366

14 LOAN RECEIVABLE – SUBSIDIARY

	2012	2011
	EGP '000'	EGP '000'
Loan to Beni Suef Cement Company S.A.E	-	152,800
	-	152,800

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%.

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.

During the year ended 31 December 2012, Beni Suef Cement Company has repaid all the outstanding loan balance amounting to EGP 152,800 thousands (exclusive interests).

15 PREPAYMENTS AND OTHER RECEIVABLES

	2012 EGP '000'	2011 EGP '000'
Tax Authority- refundable clay fees *	**44,192**	64,719
Deposits with others	**6,296**	5,984
Tax receivables- sales tax	**5,761**	7,470
Prepaid expenses	**5,672**	5,512
Customs Authority	**3,665**	8,812
Tax receivables- withholding tax	**1,600**	1,756
Advances to suppliers	**1,571**	2,710
Letter of credit	**351**	160
Personal advance	**113**	6,074
Interest receivable	**5**	91
Other debit balances	**682**	1,957
	69,908	105,245
Less: decline in value of other debit balances	**(224)**	(224)
	69,684	105,021

* Refundable clay fees amounting to EGP 44,192 thousands represents net amount due from Tax Authority amounting to EGP 95,269 thousands after deducting consumption from December 2010 up to 31 December 2012 amounting to EGP 51,077 thousand. Based on the meeting held on 28 December 2010 between Tax Authority officials and representative of all cement companies in Egypt, it has decided that the clay fees per ton of LE 9 should be applied for each ton of produced cement instead of LE 35.1 as per relevant law, for the period from May 2008 to June 2010 resulted in a difference amounted to LE 95,268,959 which the company has already paid and recorded in the other debit balances in the balance sheet and other income in the income statement. 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.

On 26th of April 2012, the Prime Minster (as publicized in the official news paper dated 26th of April 2012), confirmed that the clay fees is EGP 9 per clay Ton instead of L.E 35.1 per clay Ton for the period from May 2008 to June 2010.

Based on the external legal opinion received on June 2012, the company has the right to refund clay fees paid on cement produced using imported clinker. This resulted in an increase in the amount due from Tax Authority by EGP 4,120,352. However, the company didn't reach a final settlement with the Tax Authority.

During the 4th quarter of 2012, the company received Appeal Committee decision which confirmed the appeal submitted by the company related to the company's right in the clay fees paid in excess amounting to EGP 95,268,959.

16 CASH AND BANK

	2012 EGP '000'	2011 EGP '000'
a) Egyptian pound		
Cash on hand	**70**	70
Current accounts	**6,956**	130,330
Short term deposits	**733**	624
	7,759	131,024
b) Foreign currency		
Current accounts	**40,382**	3,145
Cash and cash equivalent	**48,141**	134,169
Reserved deposits	**1,393**	1,060
Cash at banks	**49,534**	135,229

17 CAPITAL

The Company's authorized capital amounts to EGP 4 Billions, while the Company's issued and paid up capital amounts to EGP 2,570,574,700 divided over 257057470 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
Total	**257057470**	**100**	**2,570,574,700**

18 TERM LOANS – RELATED PARTY

On 1st of July 2010, Titan Egypt Investment Ltd has converted the debt balance amounting to EGP 684,859,366 due to it to a term loan of EURO 97,982 thousands.
On December 2011 Alexandria Portland cement paid partial settlement of Euro 25 Million (equivalent to EGP 199,633 thousands).
The loan will be repaid within 5 years starting 1st of July 2010 and its outstanding balance amounting to EGP 570,858 thousands as of 31 December 2012.

Interest rate is calculated on the EURIBOR in plus 5.15%

19 PROVISIONS

	Balance 1 January 2012 EGP '000'	Charged EGP '000'	Used EGP '000'	No longer required EGP '000'	**Balance 31 December 2012 EGP '000'**
Training provision	14,187	2,740	-	(16,927)	-
Provision for litigation	1,557	-	-	-	**1,557**
Tax provision	868	-	-	-	**868**
Provision for other claims	767	-	(767)	-	-
	17,379	2,740	(767)	(16,927)	**2,425**

20 TRADE PAYABLES

	2012 EGP '000'	2011 EGP '000'
Accounts payable- Local currency	**46,905**	49,065
Accounts payable- Foreign currency	**644**	2,356
	47,549	51,421

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

21 ACCRUED EXPENSES AND OTHER PAYABLES

	2012 EGP '000'	2011 EGP '000'
Accrued expense	**16,629**	11,532
Gas purchase accrual	**10,514**	1,340
Electricity accrual	**5,723**	3,613
Sales tax	**8,804**	5,754
Accrued bonus	**6,296**	3,027
Tax Authority-Withholding tax	**1,270**	1,282
Tax Authority-Payroll tax	**751**	697
Tax Authority-Real estate tax	**294**	294
Social security	**279**	331
Accrued salaries	**145**	9
Other credit balances	**790**	154
	51,495	28,033

22 PURCHASE COMMITMENTS

	Current portion KEGP	From 1to 5 years KEGP	More than 5 years KEGP	Total KEGP
Future purchase commitments:				
Gas supply	28,641	114,566	126,500	**269,707**

The purchase commitment amounting to EGP 269,707 thousands represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the company.

23 LOANS PAYABLE – SUBSIDIARIES

A) LOAN FROM TITAN BETON & AGGREGATES EGYPT

	2012 EGP '000'	2011 EGP '000'
Loan from Titan Beton & Aggregates Egypt L.L.C	**14,800**	42,785
Loan from Beni Suef Cement Company	**236,840**	-
	251,640	42,785

On June 2011 Titan Beton and Aggregate Egypt L.L.C (subsidiary) granted a short term loan to the company amounting to EGP 47 Millions.

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.

On 28th of December 2012, the company has signed a loan extension agreement whereby the two parties agreed to extend the settlement term at which the loan will be repaid within one year from the date of the amended contract and to reduce the loan ceiling from EGP 50 Million to EGP 15 Million.

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

On 1st of May 2012, Beni Suef Cement Company (subsidiary) has granted an intercompany revolving loan to the Company amounting to EGP 400 Million 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% and to be repaid within one year from the contract date. The loan balance as of 31 December 2012 is EGP 236,840 thousands (excluding interest).

24 CONTINGENT LIABILITIES

The company contingent liabilities represents bank guarantees resulted from the company activities, accordingly, the company contingent liabilities has reached EGP 1,393 thousands (Note 16) as of 31 December 2012 against blocked deposits amounting to EGP 267 thousands (note 16) and letter of guarantee cash margin amounting to EGP 1,126 thousands as shown below:

	Amount in Currency	Equivalent in EGP '000'	Cash margin EGP '000'
Bank of Alexandria	145	145	145
National Socitie General	981	981	981
		1,126	**1,126**

25 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.
- Files and documents of the company are inspected for the year 2004 and points of dispute are transferred to the appeal committee.
- Files and documents of the Company are inspected for the years 2005 and 2006 and the dispute transferred to the internal committee.
- No tax inspection took place for the years from 2007 till 2012.
- Blue circle books were inspected for the years 2004 and all tax dues were settled and paid.
- 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.
- Files and documents of the Company are under inspections for the years 2010 and 2011.
- No tax inspections took place for the year 2012.
- 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.
- The company files and documents are under inspection for the years from 2007 till 2011
- No tax inspection took place for the year 2012.
- Blue circle books were inspected till 2004 and 2005and 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 2007 stamp tax were inspected and settled.
- 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.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash and cash equivalent, due from related parties and other receivables. The financial liabilities include accounts payable, credit facilities, interest bearing loan and borrowings, accrued expenses , 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.

27 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 EGP 40,382 thousands, whereas, the total financial liabilities denominated in foreign currencies amount to EGP 594,094 thousands.

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:

	2012 **EGP '000'**	2011 EGP '000'
Due from related parties	**635**	9,456
Cash and cash equivalent	**49,464**	135,159
Loan receivable- Intercompany	-	152,800
Other receivables	**69,684**	105,021
	119,783	402,436

27 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 2012 based on contractual (undiscounted) payments:

	Less than 6 months EGP '000'	*6 to 12 months EGP '000'*	*1 to 5 Years EGP '000'*	*More than 5 years EGP '000'*	*Total EGP '000'*
Year Ended 31 December 2012:					
Trade payable	47,549	-	-	-	47,549
Accrued expenses	51,495	-	-	-	51,495
Advances from customers	92,062	-	-	-	92,062
Due to related parties	72,238	-	-	-	72,238
Borrowings (related parties)	-	251,640	570,858	-	822,498
	263,344	**251,640**	**570,858**	-	**1,085,842**
Year Ended 31 December 2011:					
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
	201,088	**42,785**	**569,499**	-	**813,372**

28 EARNINGS PER SHARE

Earnings per share were calculated by dividing the profit for the year by the average number of shares outstanding. Earnings per share amounted to EGP 1.19 (2011: 2.31).

29 DIVIDENDS PAID

In accordance with the resolution of the Annual Assembly meeting held 29 March 2012, the Company has declared dividends to shareholders amounted to EGP 791,736 thousands which were paid during 2012.

30 RELATED PARTY TRANSACTIONS

a) Total interest revenue from Beni Suef Cement Company during year amounted to EGP 4,778 thousands resulted from loan due from Beni Suef Cement Company which was settled during 2012.

b) During 2012, in accordance with the resolution of the General Assembly Meeting held on 29th of March 2012 the Company received dividends amounting to EGP 231,459 thousands from Beni Suef Cement Company.

c) Interest expense to Titan Beton amounting to EGP 817 thousands resulted from loan from Titan Beton.

d) Interest expense to Titan Egypt Investment Ltd amounting to EGP 37,110 thousands resulted from loan from Titan Egypt Investment Ltd.

E) Interest expense to Beni Suef Cement Company amounting to EGP 12,830 thousands resulted from loan from Beni Suef Cement Company.

F) Sales of Clinker to Beni Suef Cement Company amounting to EGP 9,312 thousands.

31 SUBSTANTIAL EVENTS

During last 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.

32 COMPARATIVE FIGURES

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