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

Allied for Accounting & Auditing
Ragheb, Hamouda, Istanbouli, Tageldeen & El-Kilany
Ring Road, Zone #10A
Rama Tower
P.O. Box 20 Kattameya - Cairo - Egypt
Tel: +202 2726 0260
Fax: +202 2726 0100
www.ey.com/me

AUDITOR'S REPORT TO THE MANAGMENT 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 statement of financial position as at 31 December 2012, as well as the 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. 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 threshold set for **Titan Cement Company S A** 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 **Beni Suef 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.

Emphasis of Matter:

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

- The Nile Organization has raised a court case against the Company claiming compensation amounting to EGP 300 Millions 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 EGP 134.5 Millions through a bid held by the Trading and Industrial Authority. The Industrial Development Authority subsequently raised the license value to EGP 251 Millions 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.

- 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 9.6 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

STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2012

	Notes	2012 EGP'000'	2011 EGP'000'
Sales	(3)	**1,187,924**	1,116,247
Cost of sales	(4)	**(773,764)**	(723,681)
Gross profit		**414,160**	392,566
Other operating income		**6,209**	115,593
Administrative expenses	(5)	**(53,406)**	(49,700)
Other operating expenses	(6)	**(35,317)**	(2,731)
Provisions	(20)	**(6,109)**	(4,916)
Provisions no longer required	(20)	**9,636**	1,805
Write-off amount due from related parties		**(520)**	-
Gain on disposal of property, plant and equipment		**18**	390
Foreign exchange differences		**7,141**	(15,010)
Operating profit		**341,812**	437,997
Finance costs	(7)	**(66,948)**	(35,811)
Finance income		**15,211**	2,750
Profits before tax		**290,075**	404,936
Current income tax expense	(8)	**(57,701)**	(85,008)
Deferred tax expense	(8)	**(22,505)**	(19,976)
Profits for the year		**209,869**	299,952
Other Comprehensive income		-	-
Total comprehensive income for the year, net of tax		**209,869**	299,952

- The accompanying notes from (1) to (36) are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
At 31 December 2012

	Notes	2012 EGP'000'	2011 EGP'000'
Assets			
Non-current assets			
Property, plant and equipment	(9)	**2,254,474**	2,286,656
Construction in progress	(10)	**23,325**	21,086
Intangible assets	(11)	**86,222**	89,203
Investments in associate	(12)	**-**	-
Total Non-current assets		**2,364,021**	2,396,945
Current assets			
Inventories	(13)	**125,941**	124,790
Accounts receivable	(14)	**-**	-
Due from related parties	(15)	**53,617**	3,592
Loan receivables - Parent	(16)	**236,840**	-
Prepayments and other receivables	(17)	**102,584**	171,801
Cash and bank	(18)	**104,988**	40,861
Total Current assets		**623,970**	341,044
Total assets		**2,987,991**	2,737,989
Equity and liabilities			
Equity			
Issued capital	(19)	**520,000**	520,000
Legal reserve		**79,303**	64,949
Retained earnings		**238,580**	175,901
Profits for the year		**209,869**	299,952
Assets revaluation reserve		**520,451**	528,996
Total equity		**1,568,203**	1,589,798
Non-current liabilities			
Provisions	(20)	**10,786**	14,647
Credit facility	(21)	**528,000**	-
Noncurrent portion of term instalments	(22)	**19,130**	31,884
Noncurrent portion of term loan	(23)	**73,939**	116,858
Deferred tax liability	(8)	**405,675**	383,170
Total Non-current liabilities		**1,037,530**	546,559
Current liabilities			
Trade payables	(24)	**52,253**	63,456
Notes payable		**1,442**	4,665
Advances from customers		**134,030**	175,471
Accrued expenses and other payables	(25)	**78,465**	55,404
Income tax payable		**61,611**	85,828
Current portion of term installments	(22)	**12,753**	12,753
Current portion of term loan	(23)	**36,970**	38,953
Dividends payable		**710**	710
Due to related parties	(26)	**4,024**	11,592
Borrowings from Parent	(27)	**-**	152,800
Total Current liabilities		**382,258**	601,632
Total equity and liabilities		**2,987,991**	2,737,989

Chief Financial Officer **Chief Executive Officer**

- The accompanying notes from (1) to (36) are an integral part of these financial statements.
- Auditor's report attached

Beni Suef Cement Company (S.A.E)

STATEMENT OF CHANGES IN EQUITY
For The Year Ended 31 December 2012

	Issued capital	Legal reserve	Retained earnings	Profit for the year	Asset revaluation reserve	Total
	EGP'000'	EGP'000'	EGP'000'	EGP'000'	EGP'000'	EGP'000'
As at 1 January 2011	520,000	41,615	93,590	496,479	580,033	1,731,717
Transferred to retained earnings	-	-	496,479	(496,479)	-	-
Transferred to legal reserve	-	23,334	(23,334)	-	-	-
Dividends	-	-	(403,519)	-	-	(403,519)
Depreciation transferred for revalued buildings, machinery and 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**
As at 1 January 2012	520,000	64,949	175,901	299,952	528,996	1,589,798
Transferred to retained earnings	-	-	299,952	(299,952)	-	-
Transferred to legal reserve	-	14,354	(14,354)	-	-	-
Dividends (Note 33)	-	-	(231,464)	-	-	(231,464)
Depreciation transferred for revalued buildings, machinery and equipment	-	-	8,545	-	(8,545)	-
Profits for the year	-	-	-	209,869	-	209,869
At 31 December 2012	**520,000**	**79,303**	**238,580**	**209,869**	**520,451**	**1,568,203**

- The accompanying notes from (1) to (36) are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For The Year Ended 31 December 2012

	Notes	2012 EGP'000'	2011 EGP'000'
Operating activities			
Profits before tax		**290,075**	404,936
Non-cash adjustments to reconcile profit before tax to net cash flows			
Depreciation of property, plant and equipment	(9)	**70,702**	68,911
Amortization of intangible assets	(11)	**2,981**	3,117
Finance costs	(7)	**66,948**	35,811
Finance income		**(15,211)**	(2,750)
Provisions	(20)	**(3,527)**	3,111
Write-off amount due from related parties		**520**	-
Movement in provisions for slow moving inventory	(13)	**460**	1,436
Gain on disposal of property, plant and equipment		**(18)**	(390)
Unrealized forex		**(7,064)**	15,227
		405,866	529,409
Working capital adjustments :			
Change in restricted cash		**(1,054)**	2,288
Change in inventories		**(1,611)**	(7,006)
Change in due from related parties		**(37,715)**	(1,484)
Change in prepayments and other receivables		**69,254**	(64,987)
Change in trade payable		**(11,203)**	25,684
Change in Notes payable		**(3,223)**	4,665
Change in advances from customers		**(41,441)**	72,454
Change in accrued expenses and other payables		**23,608**	(24,364)
Change in due to related parties		**1,843**	(94,692)
		404,324	441,967
Provisions used	(20)	**(334)**	(88)
Interest received		**2,344**	2,743
Income tax paid		**(81,918)**	(21,291)
Net cash flows from operating activities		**324,416**	423,331
Investing activities			
Proceeds from disposal of property, plant and equipment		**18**	452
Payments to acquire construction in progress	(10)	**(40,759)**	(28,442)
Net cash flows (used in) investing activities		**(40,741)**	(27,990)
Financing activities			
Dividends paid	(33)	**(231,464)**	(402,809)
Settlement of loan receivable – Parent	(16)	**(236,840)**	-
Receipt of credit facilities		**528,000**	-
Settlement of borrowings		**(57,656)**	(35,485)
Settlement / receipt of borrowing – Parent		**(152,800)**	129,300
Payment of non - current liabilities		-	(1,003)
Interest paid		**(76,906)**	(46,669)
Net cash flows (used in) financing activates		**(227,666)**	(356,666)
Net increase in cash and cash equivalents		**56,009**	38,675
Unrealized forex		**7,064**	(15,227)
Cash and cash equivalent at 1 January		**40,585**	17,137
Cash and cash equivalent at 31 December 2012	(18)	**103,658**	40,585

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 at banks	(18)	**104,988**	40,861
Less:			
Reserved Time deposits		**(1,330)**	(276)
		103,658	40,585

- The accompanying notes from (1) to (36) are an integral part of these financial statements.

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 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

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.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

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

(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);

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

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.

2-3 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 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.

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 BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

2-9 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.

2-10 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).

2-11 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

2-12 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.

2-13 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 BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

2-14 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.

2-15 Lease

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

2-16 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.

2-17 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.

2-18 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 BASIS OF PREPARATION AND ACCOUNTING POLICIES - CONTINUED

2-19 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.

2-20 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.

2-21 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.

2-22 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)	**1,323,631**	1,274,386
Cement sales (export)	**33,924**	12,139
Clinker sales (domestic)	**5,221**	-
Other revenue	**7**	4,121
Rebate	**(174,859)**	(174,399)
	1,187,924	1,116,247

4 COST OF SALES

	2012 EGP'000'	2011 EGP'000'
Variable costs	**438,863**	404,567
Fixed costs	**131,531**	121,033
Packing costs	**95,274**	96,961
Depreciation of property, plant and equipment	**69,348**	67,699
Distribution costs	**28,302**	36,197
Inventory change	**9,986**	(6,510)
Allowance for obsolete and slow moving inventory	**460**	3,734
	773,764	723,681

5 ADMINISTRATIVE EXPENSES

	2012 EGP'000'	2011 EGP'000'
Administrative expenses	**45,266**	40,476
Selling and marketing expenses	**3,805**	4,895
Amortization of intangible assets	**2,981**	3,117
Depreciation of property, plant and equipment	**1,354**	1,212
	53,406	49,700

6 OTHER OPERATING EXPENSES

	2012 EGP'000'	2011 EGP'000'
Development fees *	**31,948**	-
Others	**3,369**	2,731
	35,317	2,731

* Development fees represent royalties calculated on the total cement tons produced for the period starting from 22 October 2002 till 31 December 2011. On 2002, The Governor of Beni Suef issued a decree whereby, EGP 2 is to be collected against each cement ton produced in favour of Beni Suef Governorate. The Company in return has raised a court case to cancel that decision and refund the amounts previously paid amounting to EGP 9.6 Million. During the year, the company has paid an extra amount of EGP 8 Million in order to maintain good relationship with Beni Suef Governorate. The Company has lost the legal case in 2012 and total amount of EGP 33.5 Million (EGP 1.3 Million charged to cost of sales) is made due. Accordingly, the company has signed a contract with Beni Suef Governorate whereby the two parties agree that the company will pay the development fees for the period from October 2002 till December 2011 on a monthly instalment of EGP 1.3 Million each and for one year.

7 FINANCE COSTS

	2012 EGP'000'	2011 EGP'000'
Interest on credit facility	**46,138**	7,825
Interest on borrowings from parent	**4,778**	9,590
Interest on term instalments	**3,653**	4,876
Interest on term loans	**3,788**	4,803
Bank charge	**8,591**	8,717
	66,948	35,811

8 INCOME TAX

The major components of income tax expense for the year ended 31 December 2012 and 2011 are:

	2012 EGP'000'	2011 EGP'000'
Current income tax expense	**57,701**	85,008
Deferred tax expense	**22,505**	19,976
	80,206	104,984

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		**254,914**		369,720
Income tax at the applicable tax rate	**25%**	**63,229**	25%	91,930
Add/subtract the tax effect of below items:				-
Depreciation and amortization		**(1,864)**		(9,081)
Provisions		**(1,153)**		1,114
Others		**(2,511)**		1,045
Income tax for the year	**22.6%**	**57,701**	22.9%	85,008

DEFERRED TAX

	Statement of financial position		**Income statement**	
	31 December 2012 EGP'000'	31 December 2011 EGP'000'	**31 December 2012** EGP'000'	31 December 2011 EGP'000'
Revaluation reserve	**(172,891)**	(180,222)	**7,331**	3,193
Depreciation and amortization	**(236,987)**	(208,001)	**(28,986)**	(24,978)
Provisions	**4,203**	5,053	**(850)**	1,809
Net deferred tax (liability)	**(405,675)**	(383,170)	**(22,505)**	(19,976)

9 PROPERTY, PLANT AND EQUIPMENT

	Land EGP'000'	Buildings EGP'000'	Machinery and equipment EGP'000'	Vehicles EGP'000'	Furniture and Fixture EGP'000'	Tools EGP'000'	Total EGP'000'
Cost or valuation:							
At 1 January 2012	324,472	238,014	1,892,502	98,509	11,269	12,797	2,577,563
Transfer from construction in progress	-	617	34,950	321	390	2,242	38,520
Transfer between categories	-	142,351	(142,351)	-	-	-	-
Disposals	-	-	-	-	(224)	-	(224)
Write-off	-	-	-	(212)	(176)	-	(388)
At 31 December 2012	324,472	380,982	1,785,101	98,618	11,259	15,039	2,615,471
Accumulated depreciation:							
At 1 January 2012	-	30,820	153,412	91,244	9,390	6,041	290,907
Depreciation charge for the year	-	8,824	56,715	2,439	987	1,737	70,702
Related to transfer	-	8,755	(8,755)	-	-	-	-
Related to disposal	-	-	-	-	(224)	-	(224)
Related to write-off	-	-	-	(212)	(176)	-	(388)
At 31 December 2012	-	48,399	201,372	93,471	9,977	7,778	360,997
Net book value:							
At 31 December 2012	**324,472**	**332,583**	**1,583,729**	**5,147**	**1,282**	**7,261**	**2,254,474**
At 31 December 2011	324,472	207,194	1,739,090	7,265	1,879	6,756	2,286,656

- 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 95,703 thousands as of 31 December 2012 (31 December 2011: E 86,837 thousands).
- The depreciation charge for the year has been allocated to the income statement as follows:

	2012 EGP'000'	2011 EGP'000'
Cost of sales	**69,348**	67,699
Administrative expenses	**1,354**	1,212
	70,702	68,911

Revaluation of land and buildings

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.

10 CONSTRUCTION IN PROGRESS

	2012 EGP'000'	2011 EGP'000'
At 1 January	**21,086**	17,209
Additions	**40,759**	28,442
Transferred to property, plant and equipment	**(38,520)**	(24,565)
Ending balance	**23,325**	21,086

11 INTANGIBLE ASSETS

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

	2012 EGP'000'	2011 EGP'000'
Cost		
At 1 January	**104,942**	104,942
Ending balance	**104,942**	104,942
Accumulated amortization		
At 1 January	**15,739**	12,622
Amortization	**2,981**	3,117
Ending balance	**18,720**	15,739
Net book value	**86,222**	89,203

- The gross carrying amount of fully amortized intangible assets that are still in use amounted to EGP 7,828 thousands as of 31 December 2012 (31 December 2011: EGP 7,750 thousands).

12 INVESTMENTS IN ASSOCIATE

	2012 EGP'000'	2011 EGP'000'
Misrieen Titan for Trade and Distribution Company	-	106
Impairment of investments in associate	-	(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.

On 31 December 2012, Misreen Titan for Trade and Distribution Company was fully liquidated, accordingly, the company has written-off the value of investment against its impairment.

13 INVENTORIES

	2012 EGP'000'	2011 EGP'000'
Spare parts and supplies	**89,583**	91,055
Work in process	**12,390**	18,766
Consignment goods with others	**9,959**	-
Finished goods	**7,613**	9,504
Packing materials	**4,560**	3,873
Goods in transit	**4,111**	3,363
Raw materials	**2,611**	1,218
Consumable stores	**1,139**	2,576
	131,966	130,355
Less: decline in value of inventory	**(6,025)**	(5,565)
Total inventories at cost	**125,941**	124,790

14 ACCOUNTS RECEIVABLE

	2012 EGP'000'	2011 EGP'000'
Accounts receivable	**31**	31
Less: impairment of accounts receivable	**(31)**	(31)
	-	-

15 DUE FROM RELATED PARTIES

		2012 EGP'000'	2011 EGP'000'
Alexandria Portland Cement Company (S.A.E)	Current account	**36,447**	1,386
Alexandria Portland Cement Company (S.A.E)	Interest	**12,830**	-
Titan Beton & Aggregates Egypt	Current account	**2,760**	104
East Cement	Current account	**1,560**	11
Sharcem	Current account	**20**	-
Misrieen Titan for Trade and Distribution Company	Current account	**-**	3,156
Zlatna Panega Cement	Current account	**-**	16
Mathedonia	Current account	**-**	15
Antea	Current account	**-**	8
		53,617	4,696
Less: impairment of due from related parties		**-**	(1,104)
		53,617	3,592

16 LOAN RECEIVABLE -PARENT

	2012 EGP'000'	2011 EGP'000'
Loan To Alexandria Portland Cement Company	**236,840**	-
	236,840	-

On 1st of May 2012, The Company has granted a short term loan to Alexandria Portland 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 plus 0.5% and to be repaid within one year from the contract date.

17 PREPAYMENTS AND OTHER RECEIVABLES

	2012	2011
	EGP'000'	EGP'000'
Deposits with others	**37,502**	37,514
Tax Authority- refundable clay fees *	**27,833**	67,487
Tax authority- Sales tax	**12,324**	8,925
Advances to suppliers	**9,227**	17,455
Other debtors	**7,605**	13,111
Prepaid expenses	**3,349**	6,363
Customs authority	**3,272**	4,037
Employees' receivables	**1,144**	6,625
Tax authority- withholding tax	**182**	674
Letter of credit	**92**	-
Amounts receivable from Beni Suef Governorate	**-**	9,593
Accrued interest receivable	**54**	17
	102,584	171,801

* Refundable clay fees amounting to EGP 37,502 thousands represents net amount due from Tax Authority amounting to EGP 112,238 thousands after deducting consumption from December 2010 up to 31 December 2012 amounting to EGP 74,736 thousands. 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 EGP 35.1 as per relevant law, for the period from May 2008 to June 2010, resulting in a difference amounted to EGP 112,238 thousands 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 to be EGP 9 per clay Ton instead of EGP 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 2,206,111. 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 112,237,831.

18 CASH AND BANK

	2012 EGP'000'	2011 EGP'000'
a) Egyptian pound		
Cash at banks- current accounts	**99,810**	31,034
	99,810	31,034
b) Foreign currency		
Cash at banks- current accounts	**3,848**	9,551
	3,848	9,551
Cash and cash equivalent	**103,658**	40,585
Reserved deposits	**1,330**	276
	104,988	40,861

Cash at banks earn interest at floating rates based on daily bank deposit rates.
The restricted cash held with HSBC and National Société General Bank of EGP 1,330 thousands is reserved against letter of guarantees issued by the Company in favor of third parties (note 29).

19 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 '000'	Value EGP '000'
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
	100	**52000**	**520,000**

20 PROVISIONS

	Balance as of 1 January 2012 EGP'000'	Charged EGP'000'	Used EGP'000'	No longer required EGP'000'	Balance as of 31 December 2012 EGP'000'
Provision for litigation	4,853	5,000	-	-	**9,853**
Provision for training	8,527	1,109	-	(9,636)	-
Provision for other claims	1,267	-	(334)	-	**933**
	14,647	6,109	(334)	(9,636)	**10,786**

21 CREDIT FACILITY

	Interest rate Average of	Maturity	2012 EGP'000'	2011 EGP'000'
Credit facility	CAIBOR+1% CBE rate+1.25%		**528,000**	-
			528,000	-

According to the credit facility agreement signed on 12 June 2008, the Company had obtained a revolving credit facility of a ceiling amounting to EGP 700 Millions from HSBC (Mandated Lead Arranger & Facility Agent), National Societe Generale Bank and Piraues Bank to be repaid after five years from the signing date of the agreement. Subsequent to the date of the financial position, the company has renewed the credit facility agreement whereby all parties agreed to reduce the facility ceiling from EGP 700 Million to EGP 670 Million and to be repaid within five years from the signing date of the agreement; accordingly, it is recorded under noncurrent liabilities.

22 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 EGP 75,020 thousands, the Company has paid EGP 11,253 thousands and the remaining balance amounting to EGP 63,767 thousands 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 2012 amounted to EGP 31,883 thousands (exclusive interest).

	Current portion		Non-current portion	
	2012	2011	**2012**	2011
	EGP'000'	EGP'000'	**EGP'000'**	EGP'000'
Balance	**12,753**	12,753	**19,130**	31,884

23 TERM LOAN

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 2012 amounted to EGP 110,909 thousands (exclusive interest) as follows:

	Current portion		Non-current portion	
	2012	2011	**2012**	2011
	EGP'000'	EGP'000'	**EGP'000'**	EGP'000'
Balance	**36,970**	38,953	**73,939**	116,858

24 TRADE PAYABLES

	2012	2011
	EGP'000'	EGP'000'
Trade payables - Egyptian pounds	**50,770**	60,310
Trade payables - Foreign currencies	**1,483**	3,146
	52,253	63,456

25 ACCRUED EXPENSES AND OTHER PAYABLES

	2012	2011
	EGP'000'	EGP'000'
Accrued other expenses	**24,089**	15,448
Tax authority- sales tax	**13,140**	11,471
Accrued gas cost	**10,669**	7,207
Accrued employees bonus	**8,058**	4,140
Accrued electricity cost	**7,762**	7,204
Accrued vehicles and trucks rent	**5,877**	151
Tax authority- income tax	**2,852**	2,852
Accrued interest payable	**1,919**	2,466
Tax authority- withholding tax	**1,412**	1,676
Retention from others	**1,134**	1,409
Tax authority- payroll tax	**335**	281
Social insurance authority	**258**	234
Accrued employees salaries	**163**	196
Tax authority- other taxes	**47**	47
Other credit balances	**750**	622
	78,465	55,404

26 DUE TO RELATED PARTIES

		2012 EGP'000'	2011 EGP'000'
Titan Cement Company S.A	Current account	**4,024**	2,181
Alexandria Portland Cement Company	Accrued interest	-	9,411
		4,024	11,592

27 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 company has repaid all the outstanding balance during the year ended 31 December 2012.

28 PURCHASE COMMITMENTS

	Current portion EGP'000'	From 1to 5 years EGP'000'	More than 5 years EGP'000'	**Total EGP'000'**
Future purchase commitments:				
Gas supply	85,815	429,076	722,278	**1,237,169**

The purchase commitment amounting to EGP 1,237,169 thousnads represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the Company.

29 CONTINGENT LIABILITIES

The Company contingent liabilities represents bank guarantees resulted from the Company activities, accordingly, the Company contingent liabilities has reached KEGP 252,330 as of 31 December 2012 against letter of guarantee cash margin amounting to KEGP 1,330 (Note 18) as shown below:

	Amount in currency 000'	Equivalent in EGP'000'	Cash margin EGP'000'
HSBC	1,000	1,000	1,000
NSGB	330	330	330
CIB	251,000	251,000	-
		252,330	**1,330**

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 and settled till the year 2004

The Company's records were inspected for the year 2005 and some disputes were transferred to the appeal committee.

The Company's records are under inspection for the year 2006

No tax inspection took place for the Company's records for the years 2007 up till 2012.

b) Sales taxes

The Company's records were inspected from inception up to the year 2008 and the taxes due were paid.

The Company's records were inspected and finalized for the years 2009, 2010 and the company is reconciling the taxes due.

No tax inspection took place for the Company's records for the years 2011 and 2012.

c) Salary taxes

The Company's records were inspected from inception up to the year 2004 and all taxes due were paid.

No tax inspection took place for the Company's records for the years from 2005 up till 2012.

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 up till 2012.

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 cash equivilant, trade receivable and other receivables, due from related parties. The financial liabilities include accounts payable, credit facilities, Term loans and installments, 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.

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'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 5,500 thousands, whereas, the total financial liabilities denominated in foreign currencies amount to EGP 112,490 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	2011
	EGP'000'	EGP'000'
Due from related parties	**53,617**	3,592
Cash and cash equivalent	**104,988**	40,861
Other receivables	**102,584**	171,801
	261,189	216,254

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.

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

- 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'*	*> 5 years* *EGP'000'*	*Total* *EGP'000'*
Year ended 31 December 2012:					
Credit facility	-	-	528,000	-	528,000
Term loans	-	36,970	73,939	-	110,909
Term Instalments	6,377	6,376	19,130	-	31,883
Trade payables	52,253	-	-	-	52,253
Accrued expenses and other payable	78,465	-	-	-	78,465
Advances from customers	134,030	-	-	-	134,030
Due to related parties	4,024	-	-	-	4,024
	275,149	**43,346**	**621,069**	**-**	**939,564**
Year ended 31 December 2011:					
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
	465,100	45,329	148,742	-	659,171

33 DIVIDENDS

In accordance with the resolution of the Annual Assembly meeting held on 29 March 2012, the Company has declared dividends to shareholders amounted to EGP 231,464 thousands which were paid during 2012.

34 RELATED PARTY TRANSACTIONS

a) Total interest expenses charged to the Company by Alexandria Portland Cement Company for 31 2012 amounted to EGP 4,778 thousands included in the finance costs.

b) Total interest revenue from Alexandria Portland Cement Company during year amounted to EGP 12,830 thousands

c) Purchased clinker from Alexandria Portland Cement Company amounted to EGP 9,312 thousands.

35 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.

36 COMPARATIVE FIGURES

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