

AUDITORS' REPORT

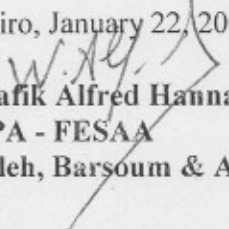
**To the Shareholders of Titan Cement Company S.A., Parent Company
of Beni Suef Cement Company S.A.E.**

We have audited the accompanying balance sheet of Beni Suef Cement Company S.A.E. as of December 31, 2005, and the related statements of income, cash flow, and changes in shareholders' equity for the year then ended. These financial statements are prepared in accordance with the accounting policies of Titan Cement Company, parent Company in Greece, and are not the statutory financial statements of the company (note 25). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of the Company as of December 31, 2005, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended in accordance with International Accounting Standards, and accounting policies of Titan Cement Company.

Cairo, January 22, 2006


Wafik Alfred Hanna
CPA - FESAA
Saleh, Barsoum & Abdel Aziz - Deloitte.

Beni Suef Cement Company
S.A.E
Income Statement
for the year ended December 31, 2005
(amounts expressed in thousand Egyptian pound)

	<u>Note</u>	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Sales, net	1i,18	359 149	293 513
Cost of sales	19	<u>(213 730)</u>	<u>(192 732)</u>
Gross profit		145 419	100 781
Distribution cost		(996)	-
General and administrative expenses	20	<u>(20 263)</u>	<u>(16 473)</u>
Operating profit		124 160	84 308
Other expenses		(263)	(417)
Impairment loss	11	(1 120)	(7 577)
Interest expenses		(30 088)	(44 442)
Interest income		6 746	14 335
Foreign exchange gain (loss)	1b	165 794	(35 571)
Other income	21	600	535
Provisions, others	12	(6 873)	(5 632)
Provisions reversed	12	22 052	9236
Investment income		342	251
Net income (loss) for the year		<u>281 350</u>	<u>15 026</u>
Tax benefit		6 644	13 198
Provision for deferred tax assets	1k,14	-	(13 198)
Net income after tax benefit		<u>287 994</u>	<u>15 026</u>
Earning per share	25	<u>7.46</u>	<u>0.39</u>

- The accompanying notes form an integral part of the financial statements.

Beni Suef Cement Company

S.A.E

Balance Sheet as of December 31, 2005

(amounts expressed in thousand Egyptian pound)

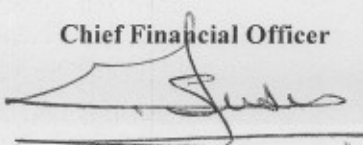
	<u>Note</u>	<u>December 31,</u> <u>2005</u>	<u>December 31,</u> <u>2004</u>
Assets			
Non-current assets			
Property, plant and equipment, net	1c,2	688 332	756 339
Advance payments for capital expenditures	1d,3	8 434	7 099
Intangible assets, net	1e,4	3 190	2 214
Long term investment	1g,5	32 019	106
Deferred tax assets	1k,14	6 644	13 198
		<u>738 619</u>	<u>778 956</u>
Provision for deferred tax assets		-	(13 198)
Total non current assets		<u>738 619</u>	<u>765 758</u>
Current assets			
Inventories	1f,6	169 017	177 341
Provision for inventories - obsolescence	6	(62 297)	(83 990)
		<u>106 720</u>	<u>93 351</u>
Other current assets	7	27 805	44 719
Provision for other current assets	7	(31)	(162)
		<u>27 774</u>	<u>44 557</u>
Accounts receivable		31	7 383
Due from affiliated companies	25	6 714	11 164
Short-term investment	1h,10	3 452	3 110
Placements with banks	8	10 480	224 728
Cash and cash equivalents	1q,9	10 160	26 802
Total current assets		<u>165 331</u>	<u>411 095</u>
Total assets		<u>903 950</u>	<u>1 176 853</u>
Shareholders' equity and liabilities			
Capital and reserves			
Share capital	16	520 000	330 000
General reserve	17	93 199	93 199
Legal reserve	17	8 857	8 106
Accumulated loss		(491 309)	(503 855)
Treasury stock	16	-	(23 047)
Total shareholders' equity		<u>130 747</u>	<u>(95 597)</u>
Net income for the year		287 994	15 026
Total shareholders' equity and net loss for the year		<u>418 741</u>	<u>(80 571)</u>
Non-current liabilities			
Borrowings	11	377 789	1 089 571
Due to holding company		9 882	11 036
Total non current liabilities		<u>387 671</u>	<u>1 100 607</u>
Current liabilities			
Accounts payable		13 097	16 922
Customers' advance payments		6 944	3 883
Other current liabilities	13	13 531	16 583
Due to affiliated companies	24	6 593	16 325
Accrued expenses	15	17 046	12 725
Provisions	1o,12	15 954	14 610
Borrowings-short term portion	11	24 373	75 769
total current liabilities		<u>97 538</u>	<u>156 817</u>
Total shareholders' equity and liabilities		<u>903 950</u>	<u>1 176 853</u>

- The accompanying notes form an integral part of the financial statements.

- Auditors' report attached.

Salem Sousou

Chief Financial Officer



Khaled Badawy

Chief Executive Officer



Beni Suef Cement Company
S.A.E.
Cash Flow Statement
for the year ended December 31, 2005
(amounts expressed in thousand Egyptian pound)

	<u>Note</u>	<u>Year ended</u> <u>December 31,</u> <u>2005</u>	<u>Year ended</u> <u>December 31,</u> <u>2004</u>
<u>Cash flows from operating activities</u>			
Net profit for the year		287 994	15 026
<u>Adjustments for:</u>			
Depreciation		75 847	77 400
Impairment loss		1 120	7 577
Interest expense		30 088	40 409
Investment income		(342)	(251)
Provisions		17 771	5 632
Provisions reversed		(22 052)	(14 493)
Foreign exchange loss		(165 794)	34 571
Income tax		(6 644)	-
Operating profit before working capital changes		217 988	165 871
Decrease (Increase) in accounts receivable and other debit balances		24 134	(32 516)
Decrease (Increase) in due from affiliates		4 450	(5 889)
(Increase) Decrease in inventories		(14 367)	3 456
Increase in accounts payable and other credit balances		10 840	5 662
Increase in due to affiliates		9 732	12 042
Net cash from operating activities		252 777	148 626
<u>Cash flows from investing activities</u>			
Investment in affiliates		(31 913)	-
Purchase of fixed assets and construction in progress		(9 057)	(12 093)
Net cash used in investing activities		(40 970)	(12 093)
<u>Cash flows from financing activities</u>			
Purchase of treasury stock		-	(10 004)
Payments of long-term loans		(597 384)	(73 515)
Interest paid		(35 313)	(40 250)
Increase in paid up capital		190 000	-
Net cash used in financing activities		(442 697)	(123 769)
Net increase in cash and cash equivalents during the year		(230 890)	12 764
Cash and cash equivalents at beginning of the year		251 530	238 766
Cash and cash equivalents at end of the year	9	20 640	251 530

- The accompanying notes form an integral part of the financial statements.

Beni Suef Cement Company
S.A.E
Statement of Changes in Shareholders' Equity
For the year ended December 31, 2005
(amounts expressed in thousand Egyptian pound)

	<u>Share capital</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Retained earnings (accumulated loss)</u>	<u>Net Profit (loss) for the year</u>	<u>Treasury stock</u>	<u>Total</u>
Balance as of January 1, 2004	330 000	8 106	93 199	(84 787)	(419 068)	--	(72 550)
Transfer of losses to accumulated loss	--	--	--	(419 068)	419 068	--	--
Treasury stock	--	--	--	--	--	(23 047)	(23 047)
Net profit for the year	--	--	--	--	15 026	--	15 026
Balance as of December 31, 2004	330 000	8 106	93 199	(503 855)	15 026	(23 047)	(80 571)
Transfer of profit to accumulated loss	--	751	--	14 275	(15 026)	--	--
Treasury stock	--	--	--	--	--	21 318	21 318
Loss on Issuance of treasury stock	--	--	--	(1 729)	--	1 729	--
Capital Increase	190 000	--	--	--	--	--	190 000
Net profit for the year	--	--	--	--	287 994	--	287 994
Balance as of December 31, 2005	520 000	8 857	93 199	(491 309)	287 994	--	418 741

- The accompanying notes form an integral part of the financial statements.

Beni Suef Cement Company
S.A.E.
Notes to the financial statements
as of December 31, 2005

The Company

According to the decree of the Egyptian Minister of the General Public Business Sector number 76 for the year 1993, dated October 19, 1993, Beni Suef Cement Company S.A.E. was incorporated as an Egyptian joint stock subsidiary company wholly owned by the Mining and Refractories Company, an Egyptian Joint Stock Holding Company governed by the provisions of the Egyptian Public Business Sector Law No. 203 for the year 1991 and its executive regulations. (Currently the Mining and Refractories Company has been merged in the Metallurgical Industries Company)

The Company was registered in the Commercial Register on January 3, 1994, and has started its operations on June 30, 1994.

According to the Privatization Program of the General Public Business Sector Companies, encountered by the Egyptian government, the Company was privatized as a result of the acquisition of 76% of its outstanding shares by foreign major investors on July 12, 1999.

The foreign investors share in the Company has increased to 95% of its outstanding shares as of December 31, 2000.

The extraordinary general assembly meeting of the Company held on August 29, 1999 has decided the conciliation of the Company statutes to comply with the Companies Law No. 159 for the year 1981 and the Money Market Law No. 95 for the year 1992, and their executive regulations.

Purpose of the company

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, in Egypt and abroad. In addition to the production of cement bags, packing materials of cement and other raw and building materials, and the transport of these materials in Egypt and abroad.

The Company may also acquire or operate cement cilos, and may import cement raw materials, paper bags and spare parts of vehicles and equipment necessary for its business and it may operate all types of quarries.

1- Significant accounting policies

a- Basis of preparing the financial statements

The financial statements are prepared according to the International Accounting Standards and the Titan Cement Company Group accounting policies, and are not the statutory financial statements of the Company.

The financial statements are prepared under the historical cost convention.

b- Foreign currency transactions

The Company's functional and reporting currency is the Egyptian pound. Transactions denominated in foreign currencies are translated to Egyptian pound during the year at the rates prevailing at the date of transactions. At year-end, assets and liabilities denominated in other currencies are translated to Egyptian pound at free market rates ruling on the financial statements date. Resulting differences are charged to the income statement.

c- Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement. The initial cost of property, plant and equipment comprises its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Major inspection overhaul expenditures are capitalized and included in the cost.

Depreciation is calculated on a straight-line basis according to the following estimated annual rates:

Buildings, constructions, utilities and internal roads	2-5%
Plant, machinery and equipment	3-10%
Vehicles	10-20%
Tools and equipment	20%
Furniture and office equipment	10%
Capitalized maintenance expenses	10-100%

d- Advance payments for capital expenditures

Assets in the course of construction represent plant and properties under construction and are stated at cost. These include costs of construction, plant and equipment and other direct costs. They are not depreciated until such time as the relevant assets are completed and put into operational use.

e- **Intangible Assets**

Intangible assets are accounted for at acquisition cost. After initial recognition, intangible assets are accounted for at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

f- **Inventories**

The inventories are stated at year-end as follows:

▪ **Finished products**

Stated at the lower of cost of production or net realizable value, the cost is determined according to cost sheets.

▪ **Work in process**

Work in process produced by the Company

Stated at the production cost incurred until the last stage of production reached.

Work in process purchased

Stated at the cost of purchase or net realizable value.

Work in process extracted from quarries

Stated at cost of wages, transportation and other related costs.

▪ **Raw materials and spare parts**

Stated at cost or net realizable value. The cost is determined applying the moving average method.

The cost of finished products and work in process comprise: raw materials, direct labor, other direct costs and related production overheads.

g- **Long-term investments**

Long-term investment in affiliated companies is stated at cost. When there is a decline, other than temporary, in the value of a long-term investment, the carrying amount is reduced to recognize the decline.

h- **Short-term investments**

Short-term investments are stated at market value. At year-end increases or decreases in carrying amount are recognized in the income statement.

i- Revenue recognition

Sales revenue is recognized upon delivery of products and customer acceptance, net of sales taxes and discounts and title is passed.

Interest income is accrued for on timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Other revenues are recognized on accrual basis.

j- Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, marketable securities, trade and other accounts receivable and payable, long-term receivables, borrowings and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in these notes. Financial instruments are classified as assets or liabilities in accordance with the substance of the contractual arrangement. Therefore interest, dividends, gains and losses relating to these financial instruments classified as an asset or a liability are reported as expense or income. Financial instruments are offset when the company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Company's activities are exposed to a variety of financial risks, including the effects of: foreign exchange risk, interest rates risk, credit risk and liquidity risk. The Company's overall risk management program seeks to minimize the potential adverse effects of these risks on the financial performance of the Company.

k- Taxation

Taxation is provided for in accordance with the Egyptian income tax law.

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

l- Impairment of tangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

m- Treasury stock

Treasury stocks consist of the Company's own stock shares that have been issued, subsequently reacquired by the Company and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are sold, gains are credited to a separate account in shareholders' equity (gain on sale of treasury shares) which is not distributable. Any realized losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings. No cash dividends are paid on these shares. No gain or loss is recognized in the income statement on the sale, issuance, or

cancellation of treasury shares. Consideration received should be presented in the financial statements as a change in equity.

According to the companies Law no. 159 for the year 1981, the company should sell these shares within a period of one year.

n- Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in net profit or loss in the period in which they are incurred.

o- Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions for restructuring costs are recognized when the company has a detailed formal plan for the restructuring that has been communicated to affected parties.

p- Use of estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

q- Cash and cash equivalents

Cash and cash equivalents include cash on hand, current accounts with banks, short-term deposits with an original maturity of three months or less.

r- Provision for staff indemnity

Provision is made for amounts payable to employees under the Egyptian Labor Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee as a result of due vacation unpaid on the balance sheet date.

s- **Legal reserve**

According to the Company's statutes and bylaws, 5% of the net profit for the year is appropriated to form the legal reserve, and according to the Egyptian Companies Law no. 159 for the year 1981. The legal reserve can only be used in covering the company's losses and in increasing the Company's capital.

t- **Contingencies**

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

u- **Cash flow statement**

The cash flow statement is prepared applying the indirect method.

2- **Property, plant and equipment**

The net book value of property, plant and equipment amounted to KEGP 688 332 as of December 31, 2005 and is analyzed as follows:

Description	Land	Building & other utilities	Machinery & equipment	Vehicles	Tools	Furniture & computer equipment	Total
	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP
<u>Cost</u>							
As of 31.12.2004	5,840	272,190	1,181,262	96,633	2,743	7,769	1,566,437
Additions	-	-	2,853	2,075	355	860	6,143
Transfers	-	-	1,844	-	-	-	1,844
Disposals	-	-	(2,499)	(2,070)	-	-	-4,569
As of 31.12.2005	5,840	272,190	1,183,460	96,638	3,098	8,629	1,569,855
<u>Depreciation</u>							
As of 31.12.2004	-	107,305	609,712	86,210	2,142	4,727	810,097
Charge for the year	-	10,944	60,466	2,418	288	1,086	75,202
On disposals	-	-	(1,379)	(1,908)	-	(489)	(3,776)
As of 31.12.2005	-	118,249	668,799	86,720	2,430	5,324	881,523
<u>Net book value</u>							
As of 31.12.2005	5,840	153,940	514,661	9,917	668	3,305	688,332
As of 31.12.2004	5,840	164,884	571,550	10,422	600	3,042	756,339

3- Advance payments for capital expenditures

The advance payments for capital expenditures balance amounted to KEGP 8 434 as of December 31, 2005 and is analyzed as follows:

	<u>December 31,</u> <u>2005</u> <u>EGP</u>	<u>December 31,</u> <u>2004</u> <u>EGP</u>
Construction	818	161
Machinery	3 869	2 353
Furniture and office equipment	2 782	2 601
Others	965	1 984
	<u>8 434</u>	<u>7 099</u>

4- Intangible assets

The net book value of intangible assets amounted to EGP 3 190 as of December 31, 2005 and is analyzed as follows:

	<u>Corporate systems</u> <u>EGP</u>
<u>Cost</u>	
As of December 31, 2004	2 214
Additions	2 069
As of December 31, 2005	<u>4 283</u>
<u>Accumulated amortization</u>	
As of December 31, 2004	490
Charge for period	603
As of December 31, 2005	<u>1 093</u>
<u>Net book value</u>	
As of December 31, 2005	<u><u>3 190</u></u>
As of December 31, 2004	<u><u>2 214</u></u>

5- Long-term investment

The long term investment balance amounted to EGP 32 019 as of December 31, 2005 and is analyzed as follows:

		<u>December 31,</u> <u>2005</u> <u>EGP</u>	<u>December 31,</u> <u>2004</u> <u>EGP</u>
Massrien titan	50%	106	106
Alexandria Portland Cement Company	8.848%	31 913	--
		<u>32 019</u>	<u>106</u>

- The Stated value of long term investment in December 31, 2005 doesn't differ from the actual value.
- During the year ended December 31, 2005, the company acquired one million sixty thousands & seven hundred eighty eight shares of Alexanidria Portland Cement Company's outstanding shares at EGP 30 per share.

6- Inventories

The inventories amounted to KEGP 169 017 as of December 31, 2005 and is analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Raw materials	184	12,639
Fuel	3,829	2,312
Spare parts *	152,084	143,046
Supplies	--	4,164
Work in process	12,920	15,180
	<u>169,017</u>	<u>177,341</u>

Following is an analysis of the provision for obsolete stock, as of December 31, 2005:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Slow moving provision	61,273	82,466
Spare parts provision – others	1,024	1,024
Refractories provision	-	500
	<u>62,297</u>	<u>83,990</u>

7- **Other current assets**

Other current assets balance amounted to KEGP 27 805 as of December 31, 2005 and is analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Letters of credit	4,834	10,744
Customs advances	220	599
Advance payment	6,136	3,749
Accrued interest on time deposits	43	2,649
Deposits held with others	-	1,349
Letters of guarantee cash cover	13,638	14,714
Prepaid expenses	750	1,926
Others	2,184	8,989
	<u>27,805</u>	<u>44,719</u>

Other current assets provision is analyzed as follows:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Doubtful debts	<u>31</u>	<u>162</u>
	<u>31</u>	<u>162</u>

Letter of guarantee (cash cover) of KEGP 13 638 represents the remaining balance due to the Mining and Refractories Holding Company in relation with the Company repurchases of its shares (1 650 000 shares) that were owned by the Employees Shareholders Fund of Beni Suef Cement Company.

8- Placements with banks

Placements with banks balance amounted to EGP 10 480 thousands as of December 31, 2005 and represent deposits at banks for periods exceeding three months and comprise:

	<u>Amount</u> <u>KEGP</u>
CIB* - EGP	6,800
HSBC – US\$	2,180
National Bank* – Cairo	1,500
	<u>10,480</u>

- A restriction has been conducted by Beni Suef governorate over EGP 5.7 Million.

9- Cash in hand and at banks

The cash in hand and at banks balance amounted to EGP 10 160 thousands as of December 31, 2005 and comprise:

	<u>31/12/2005</u> <u>KEGP</u>	<u>31/12/2004</u> <u>KEGP</u>
Bank current accounts	10 160	26 788
Cash in hand		14
	<u>10 160</u>	<u>26 802</u>

The cash and cash equivalents balance as stated in the cash flows statement amounted to KEGP 20 640 as of December 31, 2005 and comprise:

	<u>31.12.2005</u> <u>KEGP</u>	<u>31.12.2004</u> <u>KEGP</u>
Cash in hand and at banks	10,480	26,802
Placements with banks	10,160	224,728
	<u>20,640</u>	<u>251,530</u>

10- Short term investments

Short-term investment balance amounted to EGP 3 452 thousands as of December 31, 2005 representing the fair value of 2 611 certificates of American Express Fund with initial cost of EGP 1 998 thousands.

The related credit interest of EGP 342 thousands was taken to the income statement for the year ended December 31, 2005.

11- Loans

Loans amounted to EGP 402 162 thousands as of December 31, 2005 of which an amount of EGP 24 373 thousands is classified as a current liability and an amount of EGP 377 789 thousands is classified as long term liability.

- The following table represents analysis for outstanding balances of loans obtained, principal amount and terms of payment:

Loan	Borrowing currency	Interest rate	Loan term /Maturity	Loan principal amount	Balance at 31.12.2004	Balance at 31.12.2005	Short-term portion	Long-term portion
				JPY	KEGP	KEGP	KEGP	KEGP
Second loan	JPY	4.0%	41 semi annual installments / 2018	15 750 000	642 486	-	-	-
Third loan	JPY	2.7%	41 semi annual installments / 2023	10 253 894	522 854	402 163	24 373	377 789
				26 003 894	1 165 340	402 163	24 373	377 789

Equivalent in JPY

Loan	Loan principal amount	Balance at 31.12.2004	Balance at 31.12.2005	Short-term portion	Long-term portion	
	JPY	JPY	JPY	JPY	JPY	
Second loan	15 750 000	10 756 088	-	-	-	
Third loan	10 253 894	8 753 290	8 253 102	500 188	7 753	
		26 003 894	19 509 378	8 253 102	500 188	7 753

Exchange rates

JPY to EGP	31.12.2005	31.12.2004
	EGP	EGP
	0.0487	0.0597323

Third loan

- On June 9, 1992 the company entered into a credit facility agreement by which the company is entitled to borrow an amount of JPY 10 253 894 thousand.
- The company shall repay the loan in forty one equal semi-annual consecutive installments commencing on June 20, 2002 and ending on 2023.

12- Provisions

The provisions balance amounted to EGP thousands as of December 31, 2005 and is analyzed as follows:

	<u>31.12.2004</u> <u>KEGP</u>	<u>Formed</u> <u>KEGP</u>	<u>Utilized</u> <u>KEGP</u>	<u>Reversed</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Sales tax	30	-	-	-	30
Litigation	16	1,000	-	-	1,016
Cost of transfer of by-pass	6,029	1,311	(190)	-	7,150
Vacations	388	260	(5)	(385)	258
Kobesteel	92	-	-	-	92
Sales tax – Hassan Allam Co.	122	-	-	-	122
Sales tax – site construction	10	35	-	-	45
Legal provision	1,000	-	-	-	1,000
Discount to customers	21	-	-	(21)	-
Furnace	26	467	-	(26)	467
Restructuring provision	4,971	851	(3,643)	(1,604)	574
Salary tax	641	569	-	(510)	700
2003 related bonuses	702	2,856	(1,526)	(907)	1,125
Others	562	10,422	-	(7,609)	3,375
	<u>14,610</u>	<u>17,771</u>	<u>(5,365)</u>	<u>(11,061)</u>	<u>15,954</u>

13- Other current liabilities

The other current liabilities balance amounted to EGP 13 531 thousands as of December 31, 2005 and is analyzed as follows:

	<u>31/12/2005</u> <u>KEGP</u>	<u>31/12/2004</u> <u>KEGP</u>
Deposits from others	355	399
Forward contract payable	--	6 700
Social insurance	139	170
Holding company (seller of the treasury stock)	1 764	2 007
Un-reconciled cash balances	--	2 606
Others	11 273	4 701
	<u>13 531</u>	<u>16 583</u>

14- Income taxes

The provision for income taxes consists of the following:

	<u>31.12.2005</u> <u>KEGP</u>
Current income tax	-
Deferred tax asset	6,644
	<u>6,644</u>

15- Accrued expenses

The accrued expenses amounted to EGP 17 045 thousands as of December 31, 2005 (EGP 12 725 thousands as of December 31, 2004) and is analyzed as follows:

	<u>31/12/2005</u> <u>KEGP</u>	<u>31/12/2004</u> <u>KEGP</u>
Second loan interest	--	5 190
Third loan interest	357	414
Others	16 688	7 121
	<u>17 045</u>	<u>12 725</u>

16- Capital

The authorized capital of the company amounted to one billion Egyptian pound, and the issued and fully paid up capital amounted to EGP 520 million distributed among - million nominal shares of EGP 10 par value as of December 31, 2005, of which 100% are foreign shareholders. All shares are in cash.

On April 14, 2004 the company acquired 1 650 000 shares of its outstanding shares for EGP 23 047 thousands. Those shares were owned by the employees' shareholders fund of Beni Suef Cement Company. According to the company board of director's meeting minutes on March 29, 2005. The company re-issued these shares for EGP 12.92, EGP 1 729 which represents losses on re-issuance of these shares has been taken to accumulated losses.

On August 30, 2005 the company increased its paid-up capital for MEGP 190 among 19 Million shares with par value EGP 10 for each. The shareholders have paid their portions in this increase in cash.

17- Reserves

Following is an analysis of the reserves balance as of December 31, 2005:

	<u>31/12/2005</u> <u>KEGP</u>	<u>31/12/2004</u> <u>KEGP</u>
Legal reserve	8 857	8 106
General reserve	93 199	93 199

18- Cost of sales

The cost of sales amounted to EGP 213 730 thousands for the year ended December 31, 2005 and analyzed as follows:

	<u>31/12/2005</u> <u>KEGP</u>	<u>31/12/2004</u> <u>KEGP</u>
Salaries and wages	11 610	10 559
Energy cost	46 525	45 681
Materials cost	40 899	31 695
Depreciation	74 073	76 241
Maintenance	4 360	2 347
Other fixed costs	14 049	5 192
Spare parts	12 361	9 774
Technical assistance	--	373
Transport services	1 783	13 403
Change in inventories	8 070	(5 608)
Insurance and taxes	--	602
Others	--	2 473
	<u>213 730</u>	<u>192 732</u>

19- General and administrative expenses

General and administration expenses amounted to EGP 20 263 thousands for the year ended December 31, 2005 and analyzed as follows:

	<u>31/12/2005</u> <u>KEGP</u>	<u>31/12/2004</u> <u>KEGP</u>
Gross salaries and wages	5 846	2 782
Depreciation	1 735	1 159
Titan and Lafarge administration expenses	4 573	4 851
Transportation	1 103	1 043
Training	542	660
Maintenance, subscriptions & rental expenses	703	1 589
Others	5 761	4 389
	<u>20 263</u>	<u>16 473</u>

20- Other income

Other income amounted to EGP 600 thousands for the year ended December 31, 2005 and analyzed as follows:

	<u>31/12/2005</u> <u>EGP'000</u>	<u>31/12/2004</u> <u>EGP'000</u>
Prior years revenues		337
Scrap sales	354	182
Others	246	16
	<u>600</u>	<u>535</u>

21- Tax position

a. Corporate income tax

According to the article 24 of the New Urban Communities Law no. 59 of 1979, and the Company tax card, the Company is exempted from corporate income tax for ten periods ending June 30, 2004.

The Company is presenting the annual tax return on the due date.

- The company books have been inspected by the tax authority for the period from inception to June 30, 1999. The tax authority has not inspected yet the books for the period for the period from June, 1999 until June 30, 2005.

b. Sales tax

The Company books were inspected by the sales tax authority until June 30, 2003, and all taxes due were paid and the company is regularly paying the sales taxes collected from its customers.

c. Salary tax

The tax authority has inspected the payroll until June 30, 2000, and the Company is paying salary taxes, withheld from employee wages and salaries on timely basis and in accordance with the provisions of Income tax Law in respect to salary taxes.

22- Financial instruments - fair value and risk management

The financial instruments are represented in balances of cash in hand and at banks, debtors, creditors, loans and bank overdrafts. The carrying amounts of these financial instruments represent a reasonable estimate for their fair values.

Management of financial risks

Foreign currency risk

The foreign currency risk is represented by the changes in exchange rates and in order to mitigate this risk, the company's policy is to make its borrowings in local currency.

- 23- These financial statements are prepared in accordance with the accounting policies of Titan Cement Company, parent Company in Greece, and are not the statutory financial statements of the Company.

24- Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

	<u>31.12.2005</u>	<u>31.12.2004</u>
	<u>KEGP</u>	<u>KEGP</u>
Net profit for year	287,994	15,026
<u>Divided by:</u>		
Number of shares outstanding	<u>38,921</u>	<u>38,921</u>
Earning per share	<u>7.40</u>	<u>0.39</u>

25- Related Party Transactions

The company has the following transactions with related parties during the year ended December 31, 2005:

(Amounts expressed in KEGP)

	<u>December 31, 2005 KEGP DR.</u>	<u>December 31, 2005 KEGP CR.</u>	<u>Transactions during year ended December 31, 2005</u>
Titan	-	10,382	Balance of administrative services as of December 31, 2005. Transactions during the year ended December 31, 2005 are represented in administrative expenses.
Lafarge S.A	-	5,590	Balance of technical assistance as of December 31, 2005. Transactions during the year ended December 31, 2005 are represented in technical assistance expenses.
Lafarge CTI	-	761	Balance of technical services as of December 31, 2005. Transactions during the year ended December 31, 2005 are represented in training and accommodation expenses.
El Masrieen Titan	995	-	Transactions during the year ended December 31, 2005 represents advances paid to El Masrieen Titan.
Alexandria Portland Cement Company	201	192	Transactions during the year ended December 31, 2005 represents guarantee commission for the credit facility agreement.
Blue Circle Cement Egypt Company	5,499	6,398	Transactions during the year ended December 31, 2005 represents clinker purchases.
4M Titan	18	2	Transactions during the year ended December 31, 2005 represents clinker-shipment expenses.
Titan cement international	158	-	This balance represents current account between both companies.

26- Statutory financial statements

The statutory financial statements are prepared according to Egyptian Accounting Standards, which are in compliance with International Accounting Standards.

Following is a reconciliation between the statutory accounts, which are prepared according to the Egyptian Accounting Standards, and the financial statements according to International Accounting Standards and Titan Group accounting policies.

	<u>31/12/2005</u>
	<u>KEGP</u>
Net income as per statutory financial statements	188,953
Depreciation difference as a result of capitalization of foreign exchange difference in accordance with Egyptian Accounting Standards.	9,524
Inventory change difference	407
Spare parts provision	82,466
Tax benefit	6,644
Net income – Titan format	<u>287,994</u>

27- Comparative figures

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