

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

**FINANCIAL STATEMENTS
(ACCORDING TO INTERNATIONAL FINANCIAL
REPORTING STANDARDS AND TITAN CEMENT COMPANY
GROUP ACCOUNTING POLICIES)
TOGETHER WITH AUDITORS' REPORT
AS OF DECEMBER 31, 2006**

INDEPENDENT AUDITORS' REPORT

TO TITAN CEMENT COMPANY S.A., PARENT COMPANY OF BENI SUEF CEMENT COMPANY S.A.E

We have audited the accompanying financial statements of Beni Suef Cement Company, which comprise of the balance sheet as at December 31, 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. 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.

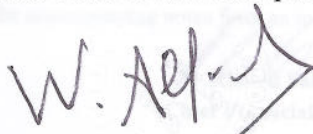
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 auditors' 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 company'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.

In our opinion, the financial statements give a true and fair view of the financial position of Beni Suef Cement Company as of December 31, 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and accounting policies of Titan Cement Company.



Wafik Alfred Hanna

CPA - FESAA

Deloitte. Saleh, Barsoum & Abdel Aziz

January 29, 2007

Beni Suef Cement Company
S.A.E
Income Statement
for the year ended December 31, 2006
(amounts expressed in thousand Egyptian pound)

	<u>Note</u>	<u>Year ended</u> <u>December</u> <u>31, 2006</u>	<u>Year ended</u> <u>December</u> <u>31, 2005</u>
Sales, net	(1j,20)	422 532	359 149
Cost of sales	(21)	(223 130)	(213 831)
Gross profit		199 402	145 318
Distribution cost		--	(996)
General and administrative expenses	(22)	(30 407)	(21 420)
Operating profit		168 995	122 902
Interest expenses		(10 256)	(29 283)
Interest income		3 264	6 746
Foreign exchange gain (loss)	(1c)	(7 164)	165 811
Other income	(23)	402	583
Provisions, others		(9 274)	(6 873)
Provisions reversed		578	22 052
Investment income		1 324	342
Other expenses		--	190
Impairment loss	(1m)	--	(1 120)
Net profit for the year before tax		147 869	281 350
Deferred tax income		1 477	6 644
Net profit for the year	(28)	149 346	287 994
Earning per share	(26)	2,87	5,54

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

Beni Suef Cement Company
S.A.E
Balance Sheet as of December 31, 2006
(amounts expressed in thousand Egyptian pound)

	<u>Note</u>	<u>December</u> <u>31, 2006</u>	<u>December</u> <u>31, 2005</u>
Assets			
Non-current assets			
Property, plant and equipment, net	(1d,2)	618 175	688 332
Construction in progress	(1e,3)	22 853	8 434
Long-term investment	(1h,5)	31 913	32 019
Intangible assets	(1f,4)	2 691	3 190
Deferred tax assets	(1L)	8 121	6 644
Total non current assets		<u>683 753</u>	<u>738 619</u>
Current assets			
Inventories	(1g,6)	118 727	111 553
Other current assets	(7)	35 282	22 972
Due from affiliated companies	(8,27)	21 152	6 714
Short-term investment	(1i,11)	3 740	3 452
Placements with banks	(9)	13 628	10 480
Cash and cash equivalents	(10)	12 494	10 160
Total current assets		<u>205 023</u>	<u>165 331</u>
Total assets		<u>888 776</u>	<u>903 950</u>
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	(18)	520 000	520 000
General reserve	(19)	93 200	93 200
Legal reserve	(19)	8 105	8 105
Accumulated loss		(202 564)	(490 558)
Net profit for the year	(26)	149 346	287 994
Total shareholders' equity		<u>568 087</u>	<u>418 741</u>
Non-current liabilities			
Borrowings	(12)	191 684	377 789
Due to holding company		7 568	9 882
Total non current liabilities		<u>199 252</u>	<u>387 671</u>
Current liabilities			
Bank overdrafts	(13)	18 121	--
Accounts payable		20 913	17 031
Customers' advance payments		8 971	6 944
Other current liabilities	(16)	13 175	9 597
Due to affiliated companies	(15,27)	9 606	22 566
Accrued expenses	(17)	1 259	1 073
Provisions, others	(14)	25 431	15 954
Borrowings-short term portion	(12)	23 961	24 373
Total current liabilities		<u>121 437</u>	<u>97 538</u>
Total shareholders' equity and liabilities		<u>888 776</u>	<u>903 950</u>

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

Khaled Sabry
Chief Financial Officer

Khaled Badawy
Chief Executive Officer

- Auditors' report attached.

Deloitte. Saleh, Barsoum & Abdel Aziz

Beni Suef Cement Company
S.A.E.
Cash Flow Statement
for the year ended December 31, 2006
(amounts expressed in thousand Egyptian pound)

	<u>Note</u>	<u>Year ended</u> <u>December</u> <u>31, 2006</u>	<u>Year ended</u> <u>December</u> <u>31, 2005</u>
<u>Cash flows from operating activities</u>			
Net profit for the year before tax		147 869	281 350
<u>Adjustments to reconcile net profit with cash flows from operating activities</u>			
Depreciation		76 247	75 847
Impairment loss		--	1 120
Interest expense		10 493	30 088
Foreign exchange gain		(3 311)	(165 794)
Investment income		(1 612)	(342)
Interest income		(3 264)	--
Provisions formed		11 612	17 771
Provisions utilized		(1 231)	(22 052)
Provisions reversed		(1 377)	--
Operating profit before changes in working capital		235 426	217 988
(Increase) Decrease in accounts receivable and other debit accounts		(12 307)	24 134
(Increase) Decrease in due from affiliates		(14 438)	4 450
Increase in inventories		(6 596)	(14 367)
Increase in accounts payable and other credit accounts		9 567	10 840
(Decrease) Increase in due to affiliates		(12 959)	9 732
Interest paid		(10 387)	(35 313)
Net cash from operating activities		188 306	217 464
<u>Cash flows from investing activities</u>			
Investment in affiliates		--	(31 913)
Acquiring fixed assets and other long term assets		(20 010)	(9 057)
Dividands received		1 324	--
Interest received		3 261	--
Net cash used in investing activities		(15 425)	(40 970)
<u>Cash flows from financing activities</u>			
Capital increase		--	190 000
Proceeds from short term financing		18 121	--
Payments of long-term loans		(185 520)	(597 384)
Net cash used in financing activities		(167 399)	(407 384)
Net increase (decrease) in cash and cash equivalents during the year		5 482	(230 890)
Cash and cash equivalents at the beginning of the year	(10)	20 640	251 530
Cash and cash equivalents at the end of the year	(10)	26 122	20 640

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

Beni Suf Cement Company
S.A.E
Statement of Changes in Shareholders' Equity
For the year ended December 31, 2006
(amounts expressed in thousand Egyptian pound)

	<u>Share capital</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Accumulated (loss)</u>	<u>Net Profit for the year</u>	<u>Treasury stock</u>	<u>Total</u>
Balance as of December 31, 2004	330 000	8 105	93 200	(503 855)	15 026	(23 047)	(80 571)
Transferd to accumulated loss	--	--	--	15 026	(15 026)	--	--
Treasury stock	--	--	--	--	--	21 318	21 318
Loss on issuance of tresury 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	8 105	93 200	(490 558)	287 994	--	418 741
Transferd to accumulated loss	--	--	--	287 994	(287 994)	--	--
Net profit for the year	--	--	--	--	149 346	--	149 346
Balance as of December 31, 2006	520 000	8 105	93 200	(202 564)	149 346	--	568 087

- 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, 2006

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.

During 2004 Alexandria Portland Cement Company S.A.E (sister company) has acquired the remaining 5% from the Employees Union.

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. **Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards and the Titan Cement Company Group accounting policies, and are not the statutory financial statements of the Company.

b. **Basis of preparation**

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies are set out below.

c. **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.

d. **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%

e. **Construction in progress**

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.

f. 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.

g. Inventories

The inventories are stated at year-end as follows:

1. Finished products

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

2. 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 lower cost of purchase or net realizable value.

• **Work in process extracted from quarries**

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

3. Raw materials and spare parts

Stated at lower of 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.

h. 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.

i. 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.

j. Revenue recognition

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;

- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

Other revenues are recognized on accrual basis.

k. 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.

l. 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.

m. Impairment of tangible and intangible 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.

n. 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.

o. 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.

p. Retirement benefit costs

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

q. 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.

r. 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.

s. 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.

t. 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.

u. 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.

v. 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.

w. Cash flow statement

The cash flow statement is prepared applying the indirect method for the purpose of preparing the cash flow, the cash and the cash equivalents represent cash on hand and at banks and placement with banks less bank overdraft balance.

2- Property, plant and equipment

The net book value of property, plant and equipment amounted to KEGP 618 175 as of December 31, 2006 and is analyzed as follows:

Description	Land	Building & other utilities	Machinery & equipment	Vehicles	Tools	Furniture & computer equipment	Total
	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>
<u>Cost</u>							
As of 31.12.2005	5 840	272 190	1 183 460	96 638	3 098	8 629	1 569 855
Additions	--	--	3 789	1 146	263	572	5 770
Disposals	--	--	--	--	(179)	--	(179)
Transfers to intangibles	--	--	--	--	--	(1 110)	(1 110)
As of 31.12.2006	5 840	272 190	1 187 249	97 784	3 182	8 091	1 574 336
<u>Depreciation</u>							
As of 31.12.2005	--	118 249	668 799	86 721	2 430	5 324	881 523
Charge for the year	--	10 944	59 967	2 688	271	1 031	74 901
On transfers	--	--	--	--	--	(263)	(263)
As of 31.12.2006	--	129 193	728 766	89 409	2 701	6 092	956 161
<u>Net book value</u>							
As of 31.12.2006	5 840	142 997	458 483	8 375	481	1 999	618 175
As of 31.12.2005	5 840	153 941	514 661	9 917	668	3 305	688 332

3- Construction in progress

The construction in progress balance amounted to KEGP 22 853 as of December 31, 2006 and is analyzed as follows:

	<u>Balance as of 31.12.2005</u>	<u>Additions During the year</u>	<u>Transfers to Fixed assets</u>	<u>Balance as of 31.12.2006</u>
	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>
Construction	381	114	--	495
Machinery	4 125	13 574	(3 789)	13 910
Tools	200	222	(263)	159
Furniture and office equipment	2 467	1 376	(572)	3 271
Intangible assets	805	2 351	--	3 156
Vehicles	--	2 326	(1 146)	1 180
Others	456	226	--	682
	8 434	20 189	(5 770)	22 853

4- Intangible assets

The net book value of intangible assets amounted to KEGP 2 691 as of December 31, 2006 and is analyzed as follows:

	<u>Corporate</u> <u>systems</u> <u>KEGP</u>
<u>Cost</u>	
As of December 31, 2005	4 283
Additions	--
Transfers from fixed assets	1 110
As of December 31, 2006	5 393
<u>Accumulated amortization</u>	
As of December 31, 2005	1 093
Charge for year	1 346
Of transfers	263
As of December 31, 2006	2 702
<u>Net book value</u>	
As of December 31, 2006	2 691
As of December 31, 2005	3 190

5- Long-term investment

The long term investment balance amounted to KEGP 31 913 as of December 31, 2006 and is analyzed as follows:

		<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Massrien Titan	50%	106	106
Alexandria Portland Cement Company	8.848%	31 913	31 913
Provision for long-term investment		(106)	--
		31 913	32 019

- The Stated value of long term investment in December 31, 2006 does not differ from the actual value.
- During 2006, the company formed a provision amounting to KEGP 106 represents the imparment of the investment of Massrien Titan Company in addition to a provision amounting to KEGP 600 was formed and classified as provision others (note 14), represent the Company share in Massrien Titan accumulated losses.

6- Inventories

The inventories balance amounted to KEGP 118 727 as of December 31, 2006 and are analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Raw materials	1 784	184
Fuel	3 248	3 829
Spare parts	156 158	152 084
Supplies	80	--
Goods in transit	1 849	4 833
Work in process	9 560	5 530
Finished goods	7 767	7 390
Total Inventories	<u>180 446</u>	<u>173 850</u>
Provision of obsolete and slow moving items	<u>(61 719)</u>	<u>(62 297)</u>
	<u>118 727</u>	<u>111 553</u>

7- Other current assets

Other current assets balance amounted to KEGP 35 282 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Customs advances	1 937	220
Advance payment	19 988	6 136
Accrued interest on time deposits	46	43
Letters of guarantee cash cover	11 210	13 637
Prepaid expenses	758	750
Others	1 343	2 186
	<u>35 282</u>	<u>22 972</u>

The Letter of guarantee (cash cover) amounted to KEGP 9 882 is to cover 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- Due from affiliated companies

Due from affiliates balance amounted to KEGP 21 152 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Blue Circle Cement Egypt	6 717	5 499
Alexandria Portland Cement Company	11 757	201
Titan	259	--
Lafarge S.A.	808	--
Masreen Titan	1 585	996
4M Titan Silos	26	18
	<u>21 152</u>	<u>6 714</u>

9- Placements with banks

Placements with banks balance amounted to KEGP 13 628 as of December 31, 2006 and represent deposits at banks for periods exceeding three months and comprise:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
CIB - EGP	--	6 800
HSBC – US\$	2 169	2 180
HSBC – EGP	9 959	--
National bank - EGP	1 500	1 500
	<u>13 628</u>	<u>10 480</u>

Deposits at banks include amount of KEGP 7 959 blocked against issued letter of credit.

10- Cash in hand and at banks

The cash in hand and at banks balance amounted to KEGP 12 494 as of December 31, 2006 and comprise:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Bank current account	12 494	10 160

The cash and cash equivalents balance as stated in the cash flows statement amounted to KEGP 26 122 as of December 31, 2006 and comprise:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Cash in hand and at banks	12 494	10 160
Placements with banks	13 628	10 480
	<u>26 122</u>	<u>20 640</u>

11- Short term investments

Short-term investment balance amounted to KEGP 3 740 as of December 31, 2006 representing the fair value of 2,611 certificates of American Express Fund with initial cost of KEGP 1,998.

The related credit interest of KEGP 289 was taken to the income statement for the year ended December 31, 2006.

12- Borrowing

The loans balance amounted to KEGP 215 645 as of December 31, 2006 of which an amount of KEGP 23 961 is classified as a current liability and an amount of KEGP 191 684 is classified as long term liability.

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

<u>Loan</u>	<u>Borrowing currency</u>	<u>Interest rate</u>	<u>Loan term /Maturity</u>	<u>Loan principal amount</u>	<u>Balance at 31.12.2005</u>	<u>Balance at 31.12.2006</u>	<u>Short-term portion</u>	<u>Long-term portion</u>
				<u>KJPY</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>
Third loan	JPY	2.7%	41 semi annual installments / 2023	10 253 894	402 162	215 645	23 961	191 684
				10 253 894	402 162	215 645	23 961	191 684

Equivalent in JPY

<u>Loan</u>	<u>Loan principal amount</u>	<u>Balance at 31.12.2005</u>	<u>Balance at 31.12.2006</u>	<u>Short-term portion</u>	<u>Long-term portion</u>
	<u>KJPY</u>	<u>KJPY</u>	<u>KJPY</u>	<u>KJPY</u>	<u>KJPY</u>
Third loan	10 253 894	8 253 102	4 501 692	500 188	4 001 504
	10 253 894	8 253 102	4 501 692	500 188	4 001 504

Exchange rates

	<u>31.12.2006</u>	<u>31.12.2005</u>
	<u>EGP</u>	<u>EGP</u>
100 JPY to EGP	4.79031	4.87286

Third loan

- On June 9, 1992 the company entered into a credit facility agreement with Ministry of Public Enterprise. The last party undertakes to lend the company an amount of KJPY 10 253 894.
- The company shall repay the loan in forty one equal semi-annual consecutive installments commencing on June 20, 2002 and ending on 2018.
- There are no entries resulted from these loans on the equity or the company's utilization for its assets.

13- Bank overdraft

The bank over draft amounted to KEGP 18 121 as of December 31, 2006 represent the outstanding balance of the credit facility provided to the company from HSBC bank in July 24, 2006 amounted to MEGP 7 for the purpose of settlement of an early payment of the Japanese loan.

14- Provisions, others

The provisions balance amounted to KEGP 25 431 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2005</u>	<u>Formed</u>	<u>Utilized</u>	<u>Reversed</u>	<u>31.12.2006</u>
	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>	<u>KEGP</u>
Sales tax	30	--	--	--	30
Litigation	2 176	1 124	--	--	3 300
Cost of transfer of by-pass	7 150	3 664	--	--	10 814
Vacations	260	482	--	(16)	726
Kobesteel	92	--	--	--	92
Sales tax – Hassan Allam Co.	122	--	--	--	122
Sales tax – site construction	45	--	--	--	45
Tax provisions	2 344	1 377	(300)	--	3 421
Furnace	467	--	--	--	467
Restructuring provision	574	632	(778)	--	428
Salary tax	895	498	(153)	--	1 240
employees bonuses	1 123	1 269	--	(783)	1 609
Others	676	2 461	--	--	3 137
	<u>15 954</u>	<u>11 507</u>	<u>(1 231)</u>	<u>(799)</u>	<u>25 431</u>

15- Due to affiliated companies

Due to affiliates balance amounted to KEGP 9 606 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2006</u>	<u>31.12.2005</u>
	<u>KEGP</u>	<u>KEGP</u>
Blue Circle Cement Egypt	6 942	6 398
4M Titan Silos	2	2
Titan	1 584	10 383
Lafarge S.A.	652	5 591
Alexandria Portland Cement Company	426	192
	<u>9 606</u>	<u>22 566</u>

16- Other current liabilities

The other current liabilities balance amounted to KEGP 13 175 as of December 31, 2006 and is analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Deposits from others	293	355
Social insurance	119	139
Holding company (seller of the treasury stock)	2 314	1 764
Others	10 449	7 339
	<u>13 175</u>	<u>9 597</u>

17- Accrued expenses

The accrued expenses balance amounted to KEGP 1 259 as of December 31, 2006 and are analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Third loan interest	464	358
Others	795	715
	<u>1 259</u>	<u>1 073</u>

18- 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 52 million nominal shares of EGP 10 par value as of December 31, 2006. All shares are in cash.

On April 14, 2004 the company repurchased 1 650 000 shares of its outstanding shares for EGP 23 047 094. Those shares were owned by the employees' shareholders fund of Beni Suef Cement Company.

According to the board of directors meeting dated March 29, 2005, the company sold these shares amounting to 1 650 000 share to Alexandria Portland Cement Company for EGP 12.9 per share incurring a loss amounted to EGP 1 729 094.

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

19- Reserves

Following is an analysis of the reserves balance as of December 31, 2006:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Legal reserve	8 105	8 105
General reserve	93 200	93 200
	<u>101 305</u>	<u>101 305</u>

20- Sales Revenue

The sales revenue for the year ended December 31, 2006 amounted to KEGP 422 532 and are analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Cement sales (domestic)	418 568	350 295
Cement sales (export)	--	3 211
Clinker sales (domestic)	1 001	1 023
Bags sales	2 963	4 620
	<u>422 532</u>	<u>359 149</u>

21- Cost of sales

The cost of sales amounted to KEGP 223 130 for the year ended December 31, 2006 and are analyzed as follows:

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Salaries and wages	21 656	13 854
Energy cost	55 486	46 525
Materials cost	40 903	40 899
Depreciation	73 607	74 073
Maintenance	5 194	4 360
Other fixed costs	15 113	11 905
Spare parts	14 584	12 362
Transport services	995	1 783
Change in inventories	(4 408)	8 070
	<u>223 130</u>	<u>213 831</u>

22- General and administrative expenses

The general and administration expenses amounted to KEGP 30 407 for the year ended December 31, 2006 and analyzed as follows:

	<u>31.12.2006</u>	<u>31.12.2005</u>
	<u>KEGP</u>	<u>KEGP</u>
Gross salaries and wages	9 910	7 099
Depreciation	2 643	1 735
Titan and Lafarge administration expenses	4 624	4 573
Transportation	850	1 093
Maintenance, subscriptions & rental expenses	787	703
Others	11 593	6 217
	<u>30 407</u>	<u>21 420</u>

23- Other income

The other income amounted to KEGP 402 for the year ended December 31, 2006 and analyzed as follows:

	<u>31.12.2006</u>	<u>31.12.2005</u>
	<u>KEGP</u>	<u>KEGP</u>
Scrap sales	340	354
Others	62	229
	<u>402</u>	<u>583</u>

24- 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 enjoyed ten years tax holiday period which ended on June 30, 2004.

The Company is filing the annual tax return on the due dates.

The Tax Authority has inspected the company books for the years from inspection to 2003 and a disputes was filed in the internal committee for the the years from 2000 to 2003.

The company books were not yet inspected for the year 2004.

The tax return for the year ended December 31, 2005 was presented to the Tax Authority on the due dates.

b. Sales tax

The Company books were inspected by the sales Tax Authority until the end of 2005.

The Company is remitting sales taxes, withheld from clients on timely basis.

c. **Salary tax**

The Tax Authority has inspected the payroll until September 30, 2000, and the Company is remitting 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.

The company books are currently inspected for the years from 2001 to 2004.

d. **Stamp tax**

The company is paying the stamp tax regularly and the company books were inspected and taxes settled until 2003.

e. **Real estate tax**

According to the New Urban Communities Law, the Company enjoyed ten years tax holiday period.

25- **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.

26- **Basic earnings per share**

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

	<u>31.12.2006</u>	<u>31.12.2005</u>
	<u>KEGP</u>	<u>KEGP</u>
Net profit for the year	149 346	287 994
<u>Divided by:</u>		
Number of shares outstanding 000'	<u>52 000</u>	<u>52 000</u>
Earning per share	<u>2.87</u>	<u>5.54</u>

27- Related Party Transactions

The company has the following transactions with related parties during the year ended December 31, 2006:

(Amounts expressed in KEGP)

	<u>December</u> <u>31,2006</u> <u>KEGP</u> <u>DR.</u>	<u>December</u> <u>31,2006</u> <u>KEGP</u> <u>CR.</u>	<u>Transactions during year ended</u> <u>December 31,2006</u>
Titan	259	1 584	The balance represent the current account between both companies and the major transactions represent the following: - Administrative services fees KEUR 421 - Bank transfers amounted to KEUR 1 392.
Lafarge S.A	808	652	The balance represent the current account between both companies and the major transactions represent the following: - Technical assistance KEUR 210 - Accommodation expenses KEGP 1 009 - Bank transfers KEGP 6 295.
Lafarge CTI	--	795	Transactions during the year ended December 31, 2006 amounted to KEUR 106 represented in training and accommodation expenses.
El Masrieen Titan	1 585	--	Transactions during the year ended December 31, 2006 represents advances paid to El Masrieen Titan amounting to KEGP 590.
Alexandria Portland Cement Company	11 757	426	The balance represent the current account between both companies and was charged by the following transactions: - Sale of bags for KEGP 2 963 - Transfer of craft paper for KEGP 6 634.
Blue Circle Cement Egypt Company	6 717	6 942	The balance represent the current account between both companies and was charged by the following transactions: - Sale of clinker for KEGP 1 013 - Purchase of refractories and spare parts for KEGP 539.
4M Titan	26	2	The balance represents the current account between both companies.

28- Statutory financial statements

The statutory financial statements are prepared according to Egyptian Accounting Standards.

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

	<u>31.12.2006</u> <u>KEGP</u>	<u>31.12.2005</u> <u>KEGP</u>
Net profit for the year according to statutory financial statements	137 523	187 773
Depreciation difference as a result of capitalization of foreign exchange difference in accordance with Egyptian Accounting Standards.	9 524	9 524
Inventory change difference (effect of depreciation)	(209)	407
Spare parts provision	--	82 466
Deferred tax benefit (effect of depreciation)	2 508	7 824
Net profit as per Titan financial statements	<u>149 346</u>	<u>287 994</u>

29- Comparative figures

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