# 4 M TITAN SILOS COMPANY
# "LIMITED LIABILITY COMPANY"

**FINANCIAL STATEMENTS**

**(ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS AND TITAN CEMENT COMPANY GROUP ACCOUNTING POLICIES)**

**TOGETHER WITH AUDITORS' REPORT**

**AS OF DECEMBER 31, 2006**

**Deloitte.**

**Saleh, Barsoum & Abdel Aziz**

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## INDEPENDENT AUDITORS' REPORT

## TO TITAN CEMENT COMPANY S.A., PARENT COMPANY OF 4 M TITAN SILOS COMPANY "LIMITED LIABILITY COMPANY".

We have audited the accompanying financial statements of 4 M Titan Silos Company "Limited Liability Company" 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.

The comparative figures for the year ended December 31, 2005 were audited by other auditors whose report were issued on January 30, 2006 and expressed an unqualified opinion.

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 Company'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.

In our opinion, the financial statements give a true and fair view of the financial position of 4 M Titan Silos Company "Limited Liability 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.

Without qualifying our opinion, we draw attention to Note 13 in the financial statements. The Company incurred a net loss of EGP 3 048 040 during the year ended December 31, 2006 and, as of that date, the Company's current liabilities exceeded its total assets by EGP 960 011. These conditions, along with other matters as set forth in Note 13, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. According to the Egyptian Companies Law, the Company is required to convene an extra ordinary general assembly to agree on the continuity of the Company.

**Wafik Alfred Hanna**

**CPA - FESAA**

**Deloitte Saleh, Barsoum & Abdel Aziz.**

**January 29, 2007**

**4 M Titan Silos Company**

**"Limited Liability Company"**

**Income Statement**

**for the year ended December 31, 2006**

(amounts expressed in Egyptian pound)

| | Note | Year ended December 31,2006 | Year ended December 31,2005 |
|---|---|---|---|
| Revenue from operations | | -- | 2 542 924 |
| Cost of operations | ( 10) | ( 1 603 209) | ( 2 280 991) |
| **Gross (loss) profit** | | **( 1 603 209)** | **261 933** |
| General and administrative expenses | ( 11) | ( 642 353) | ( 521 447) |
| Provisions | | ( 1 101 503) | ( 351 498) |
| **Operating loss** | | **( 3 347 065)** | **( 611 012)** |
| Foreign exchange gain (loss) | | 801 | ( 41 426) |
| Other income | | 298 224 | -- |
| **Net loss before tax** | | **( 3 048 040)** | **( 652 438)** |
| Deferred tax revenue | (1j) | 809 622 | -- |
| Provision of deferred tax assets | (1j) | ( 809 622) | -- |
| **Net loss for the year** | | **( 3 048 040)** | **( 652 438)** |

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

**4 M Titan Silos Company**

**"Limited Liability Company"**

**Balance Sheet as of December 31, 2006**

(amounts expressed in Egyptian pound)

| | Note | December 31, 2006 | December 31, 2005 |
|---|---|---|---|
| **Long term assets** | | | |
| Property, plant and equipment, net | (1d,2) | 3 846 374 | 5 191 151 |
| Deferred Tax assets | (1j) | 809 622 | -- |
| Provision of deferred tax assets | (1j) | ( 809 622) | -- |
| **Total long-term assets** | | **3 846 374** | **5 191 151** |
| **Current assets** | | | |
| Inventories, net | (1g,3) | 47 026 | 47 026 |
| Due from affiliated companies | ( 4) | -- | 457 878 |
| Other debit balances | ( 5) | 421 418 | 397 099 |
| Cash in hand and at banks | (1n,6) | 275 895 | 1 489 016 |
| **Total current assets** | | **744 339** | **2 391 019** |
| **Current liabilities** | | | |
| Provisions | (1m,7) | 1 435 625 | 550 855 |
| Due to affiliated companies | ( 8) | 3 932 535 | 4 529 014 |
| Other credit balances | ( 9) | 182 564 | 414 272 |
| **Total current liabilities** | | **5 550 724** | **5 494 141** |
| Working capital | | ( 4 806 385) | ( 3 103 122) |
| **Total investments** | | **( 960 011)** | **2 088 029** |
| **Financed by:** | | | |
| **Shareholders' equity** | | | |
| Issued and paid up capital | ( 10) | 5 540 000 | 5 540 000 |
| Legal reserve | (1q) | 14 995 | 14 995 |
| Accumulated loss | | ( 3 466 966) | ( 2 814 528) |
| Net loss for the year | | ( 3 048 040) | ( 652 438) |
| **Total Shareholders' equity** | | **( 960 011)** | **2 088 029** |

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

**Gamal Abd El-Wahab**

**General Manager**

**Deloitte. Saleh, Barsoum & Abdel Aziz**

**4 M Titan Silos Company**

**"Limited Liability Company"**

**Cash Flow Statement**

**For the year ended December 31, 2006**

(amounts expressed in Egyptian pound)

| | Note | Year ended December 31,2006 | Year ended December 31,2005 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net loss before tax | | ( 3 048 040) | ( 652 438) |
| Adjustments to reconcile net loss with cash flows from operating activities: | | | |
| Depreciation | | 1 345 198 | 1 164 367 |
| Provisions | | 1 101 503 | 351 498 |
| Provisions utilized | | ( 216 733) | -- |
| **Operating (loss) profit before changes in working capital** | | **( 818 072)** | **863 427** |
| Decrease in inventories | | -- | ( 14 257) |
| Decrease (Increase) in due from affiliated companies | | 457 878 | ( 118 135) |
| Increase in receivables and other current assets | | ( 24 319) | ( 33 684) |
| Decrease in due to affiliated companies | | ( 596 479) | ( 951 946) |
| (Decrease) Increase in payables and other current liabilities | | ( 231 708) | 187 761 |
| **Net cash used in operating activities** | | **( 1 212 700)** | **( 66 834)** |
| **Cash flows from investing activities** | | | |
| Acquiring fixed assets | | ( 421) | ( 548 311) |
| **Net cash used in investing activities** | | **( 421)** | **( 548 311)** |
| Net decrease in cash and cash equivalents during the year | | ( 1 213 121) | ( 615 145) |
| Cash and cash equivalents at the beginning of the year | ( 6) | 1 489 016 | 2 104 161 |
| **Cash and cash equivalents at the end of the year** | | **275 895** | **1 489 016** |

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

**4 M Titan Silos Company**

**"Limited Liability Company"**

**Statement of Changes in shareholders' Equity**

**For the year ended December 31, 2006**

(amounts expressed in Egyptian pound)

| | Issued and paid up capital | Legal reserve | Accumulated loss | Net loss for the year | Total |
|---|---|---|---|---|---|
| Balance as of December 31, 2004 | 5 540 000 | 14 995 | (2 814 528) | -- | **2 740 467** |
| Net loss for the year | -- | -- | -- | ( 652 438) | **( 652 438)** |
| **Balance as of December 31, 2005** | **5 540 000** | **14 995** | **(2 814 528)** | **( 652 438)** | **2 088 029** |
| Transfer to accumulated loss | -- | -- | ( 652 438) | 652 438 | -- |
| Net loss for the year | -- | -- | -- | (3 048 040) | **(3 048 040)** |
| **Balance as of December 31, 2006** | **5 540 000** | **14 995** | **(3 466 966)** | **(3 048 040)** | **( 960 011)** |

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

**4 M Titan Silos Company**
**"Limited Liability Company"**
**Notes to the Financial Statements**
**as of December 31, 2006**

## General information

4 M Titan Silos Company is "Limited Liability Company" was incorporated on September 11,1997 under the provisions of laws of the no. 159 of 1981 and its executive regulations.

The Companys' head office location is in Cairo, Egypt. The company conducts its activities in Alexanderia and Safaga.

## Purpose of the Company

The purpose of the Company is the establishment, ownership, rent, management and operating cement silos.

The average employees during 2006 was 4 employees (2005: 9 employees).

## 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 prepation

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:

| | |
|---|---|
| Silos | 5-10 years |
| Office equipment | 5 years |
| Furniture | 10 years |

**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. Spare parts**

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

**h. 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.

Other revenues are recognized on accrual basis.

**i. 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.

**j. 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.

**k. 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.

**l. 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.

**m. 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.

**n. 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.

**o. 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.

**p. 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.

**q. 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.

**r. 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.

**s. 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, net

The net book value of property, plant and equipment amounted to EGP 3 846 374 as of December 31, 2006, and is analyzed as follows:

| Description | Silo | Office Equipment | Furniture | Total |
|---|---|---|---|---|
| | EGP | EGP | EGP | EGP |
| **Cost** | | | | |
| As of 31.12.2005 | 8 756 582 | 92 862 | 17 542 | 8 866 986 |
| Additions | | 421 | | 421 |
| **As of 31.12.2006** | **8 756 582** | **93 283** | **17 542** | **8 867 407** |
| **Accumulated depreciation** | | | | |
| As of 31.12.2005 | 3 627 981 | 40 429 | 7 425 | 3 675 835 |
| Depreciation | 1 329 271 | 14 162 | 1 765 | 1 345 198 |
| **As of 31.12.2006** | **4 957 252** | **54 591** | **9 190** | **5 021 033** |
| **Net book value** | | | | |
| **As of 31.12.2006** | **3 799 330** | **38 692** | **8 352** | **3 846 374** |
| **As of 31.12.2005** | **5 128 601** | **52 433** | **10 117** | **5 191 151** |

## 3. Inventories, net

The inventories of spare parts balance amounted to EGP 47 026 as of December 31, 2006, and is analyzed as follows:

| | December 31, 2006 | December 31,2005 |
|---|---|---|

| | | |
|---|---|---|
| Alexandria Silo inventory | 314 163 | 351 498 |
| Safaga Silo inventory | 84 361 | 47 026 |
| Provision of obsolete and slow moving inventory | (351 498) | (351 498) |
| | **47 026** | **47 026** |

4. **Due from Affiliated companies**

As of December 31, 2006, the Company has no dues from affiliated Companies, as follows:

| | **December 31, 2006** | **December 31,2005** |
|---|---|---|
| East Cement | -- | 233 374 |
| Marine Cement | -- | 224 504 |
| | **--** | **457 878** |

5. **Other debit balances**

The other debit balances balance amounted to EGP 421 418 as of December 31, 2006, and is analyzed as follows:

| | **December 31, 2006** | **December 31,2005** |
|---|---|---|
| Withholding taxes | 294 330 | 294 330 |
| Refundable deposits | 89 500 | 88 000 |
| Other receivables | 37 588 | 14 769 |
| | **421 418** | **397 099** |

6. **Cash in hand and at banks**

The cash in hand and at banks balance amounted to EGP 275 895 as of December 31, 2006, and is analyzed as follows:

| | **December 31, 2006** | **December 31,2005** |
|---|---|---|
| Cash at banks | 274 540 | 1 482 474 |
| Cash on hand | 1 355 | 6 542 |
| | **275 895** | **1 489 016** |

7. **Provisions**

The cash in hand and at banks balance amounted to EGP 1 435 625 as of December 31, 2006, and is analyzed as follows:

| | **December 31, 2005** | **Provisions formed** | **Provisions utilized** | **December 31,20056** |
|---|---|---|---|---|
| Provisions | 550 855 | 1 101 503 | (216 733) | 1 435 625 |

8. **Due to affiliated companies**

The due to affiliated companies amounted to EGP 3 932 535 as of December 31, 2006, and is analyzed as follows:

| | **December 31, 2006** | **December 31,2005** |
|---|---|---|

| | | |
|---|---|---|
| Alexanria Portland Cement Company S.A.E. | 3 908 202 | 4 513 045 |
| Beni Suef Cement S.A.E. | 24 333 | 15 969 |
| | **3 932 535** | **4 529 014** |

## 9. Other credit balances

The other credit balances balance amounted to EGP 182 564 as of December 31, 2006, and is analyzed as follows:

| | December 31, 2006 | December 31,2005 |
|---|---|---|
| Other credit balances | 50 191 | 226 130 |
| Accrued expenses | 130 459 | 186 378 |
| Social security and other taxes | 1 914 | 1 764 |
| | **182 564** | **414 272** |

## 10. Issued and paid-up capital

The capital of the company amounted to EGP 5 540 000, distributed among 55 400 shares of EGP 100 per share divided equally between Alexandria Portland Cement Company and East Cement Trade Limited. All issued shares are fully paid.

## 11. Cost of operations

The cost of operations amounted to EGP 1 603 209 for the year ended December 31, 2006, and are analyzed as follows:

| | December 31, 2006 | December 31,2005 |
|---|---|---|
| Depreciation | 1 329 271 | 1 150 793 |
| Repairs and maintenance | 9 691 | 318 990 |
| Rent of port | 140 000 | 300 000 |
| Rent of equipment | -- | 131 325 |
| Salaries and incentives | 48 817 | 92 812 |
| Service fees | 58 976 | 63 767 |
| Fuel | 1 454 | 55 854 |
| Clearing expenses | -- | 53 391 |
| Agencies expense | -- | 52 594 |
| Miscellaneous expenses | -- | 52 963 |
| Car expenses | -- | 6 768 |
| Traveling expenses | -- | 1 734 |
| Early retirement benefits | 15 000 | -- |

| | | |
|---|---|---|
| | **1 603 209** | **2 280 991** |

## 12. General and administrative expenses

The general and administrative expenses amounted to EGP 642 353 for the year ended December 31, 2006, and are analyzed as follows:

| | **December 31, 2006** | **December 31,2005** |
|---|---|---|
| Personnel expenses * | 259 921 | 207 812 |
| Traveling and accomondation expenses | 47 525 | 92 846 |
| Utilities | 30 109 | 59 278 |
| Miscellaneous and other expenses | 31 414 | 84 890 |
| Audit and consulting fees | 188 000 | 30 000 |
| Car expenses | 16 782 | 33 047 |
| Depreciation expenses | 15 927 | 13 574 |
| Early retirement benefits | 52 675 | -- |
| | **642 353** | **521 447** |

***** The balance of personnel expenses for the year ended December 31, 2006 include amount EGP 13 504 represent social insurance expense.

## 13. Tax position

- **Corporate tax**

The company is timely filling the annual tax returns on the statutory due dates.

For the years from 1997 to 2000 the books were inspected by the Tax Authority and the company objected and the appeal committee approved the re-inspection which is currently in progress.

- **Salary tax**

The company timely remits the salary taxes withheld from its employees to the Tax Authority, in accordance with the Income Tax Law with respect to salaries.

The Company was inspected by the Tax Authorities for the period from inception until the year 2001 and all dues have been settled.

For the years from 2002 to 2004 the taxes were paid according to the Company's books and these years are under inspection and no claims were received by Tax Authority.

- **Stamp tax**

The years from 1997 to 1998 were setelled and finalized.

For the years1999, there was a claim amounting EGP 1 158 by the Tax Authority and the company not yet settled the amount.

For the years from 2000 to 2002, there was a claim amounting to EGP 15 880 by the Tax Authority and the company objected and the re-inspection has not taken place yet .

The years from 2003 to 2006 have not yet been inspected by the Tax Authority.

- **Sales tax**

There is a dispute between the company and the Sales Tax Authority for the year from inception (November 1, 1997) to December 31, 2004. The Tax Authority is claiming sales tax on packing activities in the year referred to above. Whereas the company has not performed any packing material during the period, accordingly, a provision has been formed amounting EGP 1 041 503 based on the claim sent from the Sales Tax Authority.

## 14. Going Concern

The Company incurred a net loss of EGP 3 048 040 during the year ended December 31, 2006 and as of that date, the Company's current liabilities exceeded its total assets by EGP 960 011. In addition, the accumulated losses at the balance sheet date exceeded 50% of the paid up capital. This condition casts substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include adjustments that might result from the outcome of this uncertainty.

In such circumstances, Egyptian Companies Law No. 159 of 1981 Paragraph 69, requires the Managers to invite an Extraordinary General Assembly Meeting to decide on the Company's continuation.

The considered view of the Company's management is that the Company has adequate resources to continue operations for the foreseeable future with expected continued support from the Company's Shareholders. For that reason the management continues to adopt the going concern assumption in preparing the financial statement for the year ended December 31, 2006.

The General Assembly Meeting dated June 15, 2006 decided to keep the silo of Safaga in a status that allows it to operate, as it expects there will be activation in exporting of the cement within the next two years.

## 15. Comparative figures

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