

FOUR M TITAN SILOS L.L.C
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007
TOGETHER WITH THE AUDITOR'S REPORT

AUDITOR'S REPORT TO THE SHAREHOLDERS OF FOUR M TITAN SILOS (L.L.C)

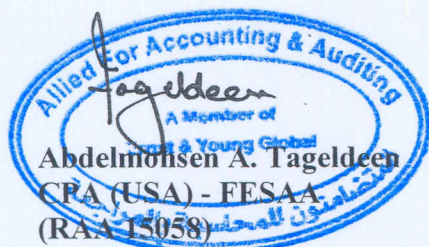
We have audited the accompanying balance sheet of Four M Titan Silos (L.L.C) (the "Company") as of December 31, 2007 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing. The International Standards on Auditing require that we plan and perform the audit to obtain reasonable assurance as to 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 statement presentation. We obtained all information and disclosures, which we considered necessary for the purposes of our audit. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

The scope of our audit procedures was established based on the tolerable error set for Titan Cement Company S A group reporting purposes amounting to € 1,250K. Had we been able to perform our audit based on the stand alone materiality level developed by us, other matters might have come to our attention indicating that adjustments might be necessary to the financial statements.

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Without qualifying our opinion we draw attention to note (2) to the financial statements. The company incurred accumulated losses of L.E. 6,515,007 as of 31 December 2007, (2006: L.E. 3,466,967) which exceeds its issued capital of L.E. 5,540,000 as of 31 December 2007 (2006:L.E 5,540,000). This factor raises substantial doubt about the company's ability to continue as a going concern.



Cairo: January 17, 2008

4 M Titan Silos Company L.L.C.

Balance sheet

As of 31 December 2007

	Note	2007 EGP	2006 EGP
Non current assets			
Property, plant and equipment, net	(4)	<u>2,501,330</u>	<u>3,846,374</u>
Total non current assets		<u>2,501,330</u>	<u>3,846,374</u>
Current assets			
Inventories , net	(5)	47,026	47,026
Due from affiliates	(6)	120,894	-
Prepaid expenses and other debit balances	(7)	450,579	421,418
Bank and cash balances	(8)	<u>38,557</u>	<u>275,895</u>
Total current assets		<u>657,056</u>	<u>744,339</u>
Total assets		<u>3,158,386</u>	<u>4,590,713</u>
Shareholders' equity			
Issued and paid up capital	(12)	5,540,000	5,540,000
Legal reserve		14,995	14,995
Accumulated losses		(6,515,007)	(3,466,967)
Net loss for the year		<u>(1,871,673)</u>	<u>(3,048,040)</u>
Total shareholders' equity		<u>(2,831,685)</u>	<u>(960,012)</u>
Current liabilities			
Provisions	(11)	688,268	1,435,626
Due to affiliates	(9)	5,096,382	3,932,535
Accrued expenses and other credit balances	(10)	<u>205,421</u>	<u>182,564</u>
Total current liabilities		<u>5,990,071</u>	<u>5,550,725</u>
Total shareholders' equity and liabilities		<u>3 158 386</u>	<u>4 590 713</u>



Khaled Sabry
Chief Financial Officer



Khaled Badawy
Chief Executive Officer

- The accompanying notes form an integral part of the financial statements.
- Auditor's report attached.

4 M Titan Silos Company L.L.C.
Statement of income
For the year ended 31 December 2007

	<u>Note</u>	2007 EGP	2006 EGP
Sales, net		-	-
Cost of sales	(13)	<u>(1,597,614)</u>	<u>(1,603,209)</u>
Gross loss		<u>(1,597,614)</u>	<u>(1,603,209)</u>
General and administrative expenses	(14)	<u>(273,415)</u>	<u>(642,353)</u>
Operating loss		<u>(1,871,029)</u>	<u>(2,245,562)</u>
Provisions		-	(1,101,503)
Foreign exchange (loss) gain		(644)	801
Other income		-	298,224
Net loss for the year		<u>(1,871,673)</u>	<u>(3,048,040)</u>

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

4 M Titan Silos Company L.L.C.
Statement of cash flow
For the year ended 31 December 2007

	Note	2007 EGP	2006 EGP
Net loss for the year		(1,871,673)	(3,048,040)
<u>Adjustments to reconcile net loss with cash flows from operating activities:</u>			
Depreciation		1,345,044	1,345,198
Provisions		-	1,101,503
Provisions used		<u>(747,358)</u>	<u>(216,733)</u>
Operating loss before working capital changes		(1,273,987)	(818,072)
Increase (decrease) in due from affiliates		(120,894)	457,878
Increase in prepaid expenses and other debt balances		(29,161)	(24,319)
Increase (decrease) in Due to affiliates		1,163,847	(596,479)
Increase (decrease) in accrued expenses and other credit balances		<u>22,856</u>	<u>(231,708)</u>
Net cash used in operating activities		<u>(237,339)</u>	<u>(1,212,700)</u>
Cash flows from investing activities			
Purchase of property ,plant and equipment		<u>-</u>	<u>(421)</u>
Net cash used in from investing activities		<u>-</u>	<u>(421)</u>
Net decrease in cash and cash equivalents during the year		(237,339)	(1,213,121)
Cash and cash equivalents at the beginning of the year		<u>275,895</u>	<u>1,489,016</u>
Cash and cash equivalents at the end of the year	(8)	<u><u>38,556</u></u>	<u><u>275,895</u></u>

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

4 M Titan Silos Company L.L.C.
Statement of changes in shareholders' equity
For the year ended 31 December 2007

	Issued and paid up capital	Legal reserve	Accumulated loss	Net loss for the year	Total
Balance as of December 31, 2005	5,540,000	14,995	(3,466,967)	-	2,088,028
Net loss for the year	--	--	-	(3,048,040)	(3,048,040)
Balance as of December 31, 2006	5,540,000	14,995	(3,466,967)	(3,048,040)	(960,012)
Transfer to accumulated loss	-	-	(3,048,040)	3,048,040	-
Net loss for the year	-	-	-	(1,871,673)	(1,871,673)
Balance as of Dec 31, 2007	5,540,000	14,995	(6,515,007)	(1,871,673)	(2,831,685)

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

4 M Titan Silos Company L.L.C.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

1. The company

4 M Titan Silos Company is a Limited Liability Company (LLC) was incorporated on September 11, 1997 under the provisions of the law no. 159 of 1981 and its executive regulations.

The Company's head office location is in Cairo, Egypt. The company conducts its activities in Alexandria and Safaga.

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

2. Fundamental accounting concept

The financial statements have been prepared under the going concern concept on the assumption that the company's shareholders' will continue to provide adequate funds to the company to meet its liabilities as they fall due.

3. Significant accounting policies

a- Basis of preparation

The financial statements have been prepared in Egyptian pound in accordance with the International Financial Reporting Standards, the applicable laws and regulations and the historical cost basis.

b- Changes in accounting policies

The adopted accounting policies were not changed from those policies adopted in the previous year.

c- Foreign currency translation

The Company's records are maintained in Egyptian pound. Transactions in foreign currencies during the year are recorded using the exchange rates prevailing on the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Egyptian pound using the exchange rates prevailing on that date. Translation differences are recorded in the statement of income.

d- Property, plant and equipment

Property, plant and equipment are stated at historical cost net of accumulated depreciation. Depreciation is computed using the straight-line method according to the estimated useful life of the asset as follows:

	Years
Silo	5-10
Office equipment	5
Furniture	10

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

e- Inventory

The inventory elements are valued as follows:

Spare parts and supplies: at the lower of cost using the moving average method or net realizable value. An allowance is made for any obsolete and slow moving inventory to reach the approximate net realizable value for that inventory when it is less than the cost.

Raw materials: at the lower of cost using the moving average method or net realizable value.

Finished products: at the lower of the cost of production based on the costing sheets or net realizable value.

Work in process: at the lower of the cost of production of the latest completed phase based on the costing sheets or net realizable value.

f- Account receivable and other debit balances

Accounts receivable and other debit balances are stated at book value. An allowance is made for any doubtful debts.

g- Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, 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 the 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 should be the present value of the expected expenditures required to settle the obligation.

h- Legal reserve

According to the Company's article of association, 5% of the net profits of the year is to be transferred to the legal reserve until this reserve reaches 50 % of the issued capital. The reserve is used upon a decision from the general assembly meeting based on the proposal of the board of directors.

i- Income taxes

Income tax is calculated in accordance with the Egyptian tax law.

Deferred income tax is recognized using the liability method on temporary differences between the amount attributed to an asset or liability for tax purposes (tax base) and its carrying amount in the balance sheet (accounting base) using the applicable tax rate.

Deferred tax asset is recognized when it is probable that the asset can be utilized to reduce future taxable profits and the asset is reduced by the portion that will not create future benefit.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

j- Revenue recognition

Revenue is recognized when the goods are delivered to the client and an invoice is issued.

k- Expenses

All expenses including operating expenses, general and administrative expenses and other expenses are recognized and charged to the statement of income in the financial year in which these expenses were incurred.

l- Related party Transactions

Related party transactions performed by the Company within its normal business transactions are recorded based on the conditions set by the board of directors.

m- Accounting estimates

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the financial years. Actual results could differ from these estimates.

n- Impairment of assets

The Company regularly assesses whether there is an indication that an asset could be impaired. If any such indication exists, the recoverable amount of the asset is compared with its carrying amount, and when the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

A previously recognized impairment loss is reversed when there is a change in the recoverable amount of the asset to the extent of the previously recognized loss.

o- Cash flow statement

The cash flow statement is prepared using the indirect method.

p- Cash and cash equivalent

For the purpose of preparing the cash flow statement, the cash and cash equivalent comprise cash on hand, current accounts with banks and time deposits maturing within three months.

4 M Titan Silos Company L.L.C.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

4. Property, plant and equipment, net

Description	Silo EGP	Office Equipment EGP	Furniture EGP	Total EGP
Cost				
As of 31.12.2006	8,756,582	93,283	17,542	8,867,407
Additions				-
As of 31 December 2007	8,756,582	93,283	17,542	8,867,407
Depreciation				
As of 31.12.2006	4,957,252	54,591	9,190	5,021,033
Charge for year	1,329,264	10,152	5,628	1,345,044
As of 31.12.2007	6,286,516	64,743	14,818	6,366,077
Net book value				
As of 31 December 2007	2,470,066	28,540	2,724	2,501,330
As of 31 December 2006	3,799,330	38,692	8,352	3,846,374

5. Inventories, net

	2007	2006
	EGP	EGP
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

6. Due from Affiliates

	2007	2006
	EGP	EGP
Alexnadria Portland Cement Company	118,973	-
Beni Seuf Company for Cement	1,921	-
	120,894	-

4 M Titan Silos Company L.L.C.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

7. Prepaid expenses and other debt balances

	2007	2006
	EGP	EGP
Withholding taxes	294,330	294,330
Refundable deposits	89,500	89,500
Other receivables	66,749	37,588
	<u>450,579</u>	<u>421,418</u>

8. Bank and cash balances

	2007	2006
	EGP	EGP
Cash on hand and at banks	38,557	275,895
	<u>38,557</u>	<u>275,895</u>

9. Due to Affiliates

	2007	2006
	EGP	EGP
Alexandria Portland Cement Company	5,028,801	3,908,202
Beni Suef Company for Cement	67,581	24,333
	<u>5,096,382</u>	<u>3,932,535</u>

10. Accrued expenses and other credit balances

	2007	2006
	EGP	EGP
Accrued expenses	143,955	130,459
Social security and other taxes	3,904	1,914
Other credit balances	57,562	50,191
	<u>205,421</u>	<u>182,564</u>

4 M Titan Silos Company L.L.C.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

11. Provisions

	Balance	Charged	Used	Balance
	1/1/2007	during the	during the	31/12/2007
	EGP	year	year	EGP
	EGP	EGP	EGP	EGP
Tax provision	1,435,625	-	747,357	688,268
	<u>1,435,625</u>	<u>-</u>	<u>747,357</u>	<u>688,268</u>

12. Issued and Paid-up capital

Issued and paid up capital of the company amounts to L.E 5,540,000, distributed among 55,400 quotas of EGP 100 per quota and is distributed as follows:

Description	Percentage	No. of shares	Value EGP
Alex Portland For Cement Company.	50%	27700	2,770,000
East Cement Trade (Ltd).	50%	27700	2,770,000
	<u>100%</u>	<u>55400</u>	<u>5,540,000</u>

13. Cost of sales

	2007	2006
	EGP	EGP
Depreciation	1,334,892	1,329,271
Repairs and maintenance	3,535	9,691
Rent	180,000	140,000
Insurance	6,004	5,691
Salaries and incentives	73,103	63,817
Service fees	-	53,285
Other	80	1,454
	<u>1,597,614</u>	<u>1,603,209</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

14. General and administrative expenses

	2007	2006
	EGP	EGP
Salaries ,incentives and social insurance	99,359	312,596
Traveling and accomodation expenses	25,157	47,525
Professional fees	89,400	188,000
Depreciation	10,152	10,291
Miscellaneous expenses	49,347	83,941
	<u>273,415</u>	<u>642,353</u>

15. Tax position

Corporate tax

The company is regularly presenting the annual tax returns on the statutory due dates.

The years from 1997 to 2000 the books were inspected by the tax authority and the company objects and the appeal committee approved for re inspection which is currently on progress.

Salary tax

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

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

The period from 2002 to 2004 paid according to the Company's books and this period is under inspection and no claim was received by Tax Authority

Stamp tax

The year from 1997 to 1999 is settled.

The period from 2000 to 2002 there was claimed amounted EGP 15 880 from the Tax Authority and the company made objection and this period re-inspection has not took place yet .

The period from 2003 till 2006 the company did not receive claims from tax authority and this period have not yet been inspected by the Tax Authority .

Sales tax

During year 2007 the company settled the dispute with the sales tax authority and the due taxes and penalties have been settled.

16. Comparative figures

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