

**TITAN BETON & AGGREGATES MISR L.L.C**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**  
**TOGETHER WITH THE INDEPENDENT**  
**AUDITOR'S REPORT**

## INDEPENDENT AUDITOR'S REPORT TO THE MANAGEMENT OF TITAN BITON & AGGREGATES MISR L.L.C

### Report on the Financial Statements

We have audited the accompanying financial statements of **TITAN BITON & AGGREGATES MISR L.L.C**, represented in the balance sheet as at 31 December 2008, as well as the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Egyptian Auditing Standards and applicable Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

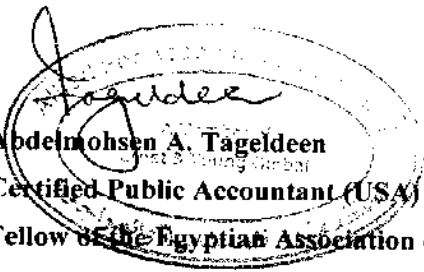
The scope of our audit procedures was established based on the tolerable error set for Titan Cement Company S A group reporting purposes amounting to € 750K. Had we been able to perform our audit based on the stand alone materiality level developed by us, other matters might have come to our attention indicating that adjustments might be necessary to the financial statements.

### Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **TITAN BITON & AGGREGATES MISR L.L.C**, as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the related applicable Egyptian laws and regulations.

**Report on Other Legal and Regulatory Requirements**

The Company maintains proper accounting records that comply with the laws and the Company's articles of association and the financial statements agree with the Company's records. The company maintains a costing system that meets the purpose.



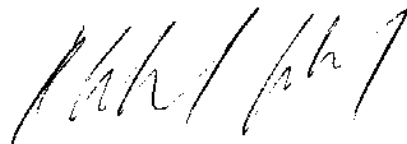
**Abdelmohsen A. Tageldeen**  
**Certified Public Accountant (USA)**  
**Fellow of the Egyptian Association of Accountants and Auditors**  
**R.A.A. 15058**  
**Cairo: 2 February 2009**

# Titan Beton & Aggregates Misr L.L.C.

## Balance Sheet

As of 31 December 2008

	Note	2008 EGP'000	2007 EGP'000
<b>Non current assets</b>			
Property, plant and equipment, net	(3)	<u>1,156</u>	<u>2,502</u>
<b>Total non-current assets</b>		<u>1,156</u>	<u>2,502</u>
<b>Current assets</b>			
Inventory	(4)	47	47
Loan to parent company	(5)	60,420	-
Due from related parties	(6)	957	121
Prepaid expenses and other debit balances	(7)	5,268	450
Cash on hand and at banks	(8)	<u>2,845</u>	<u>38</u>
<b>Total current assets</b>		<u>69,537</u>	<u>656</u>
<b>Total assets</b>		<u>70,693</u>	<u>3,158</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued and paid up capital	(12)	80,000	5,540
Legal reserve		15	15
Accumulated losses		(8,387)	(6,515)
Net loss for the year		<u>(1,774)</u>	<u>(1,872)</u>
<b>Total equity</b>		<u>69,854</u>	<u>(2,832)</u>
<b>Current liabilities</b>			
Provisions	(11)	688	688
Due to related parties	(9)	11	5,096
Accrued expenses and other credit balances	(10)	<u>140</u>	<u>206</u>
<b>Total current liabilities</b>		<u>839</u>	<u>5,990</u>
<b>Total equity and liabilities</b>		<u>70,693</u>	<u>3,158</u>



Chief Financial Officer



Chief Executive Officer

- The accompanying notes form (1) to (17) are an integral part of the financial statements.
- Auditor's report attached.

## Titan Beton & Aggregates Misr L.L.C.

### Statement of income

For the year ended 31 December 2008

	<u>Note</u>	2008 EGP'000	2007 EGP'000
Sales, net		-	-
Direct cost	( 13)	<u>(2,382)</u>	<u>(1,598)</u>
<b>Gross loss</b>		<u><b>(2,382)</b></u>	<u><b>(1,598)</b></u>
General and administrative expenses	( 14)	<u>(773)</u>	<u>(273)</u>
<b>Operating loss</b>		<u><b>(3,155)</b></u>	<u><b>(1,871)</b></u>
Foreign exchange (loss) gain		(2)	(1)
Interest income		1,396	-
Finance expenses		<u>(13)</u>	-
<b>Net loss for the year</b>		<u><b>(1,774)</b></u>	<u><b>(1,872)</b></u>

- The accompanying notes from (1) to (17) are an integral part of the financial statements.

## Titan Beton & Aggregates Misr L.L.C.

### Statement of changes in equity

For the year ended 31 December 2008

	Issued and paid up capital EGP'000	Legal reserve EGP'000	Accumulated loss EGP'000	Net loss for the year EGP'000	Total EGP'000
Balance as of 1 January 2007	5,540	15	(3,467)	(3,048)	(960)
Transfer to accumulated loss	-	-	(3,048)	3,048	-
Net loss for the year	-	-	-	(1,872)	(1,872)
<b>Balance as of 1 January 2008</b>	<b>5,540</b>	<b>15</b>	<b>(6,515)</b>	<b>(1,872)</b>	<b>(2,832)</b>
Transfer to accumulated loss	-	-	(1,872)	1,872	-
Net loss for the year	-	-	-	(1,774)	(1,774)
Increase in paid up capital (note 12)	74,460	-	-	-	74,460
<b>Balance as of 31 December 2008</b>	<b>80,000</b>	<b>15</b>	<b>(8,387)</b>	<b>(1,774)</b>	<b>69,854</b>

- The accompanying notes from (1) to (17) are an integral part of the financial statements.

# Titan Beton & Aggregates Misr L.L.C.

## Statement of cash flow

For the year ended 31 December 2008

	Note	2008	2007
		EGP'000	EGP'000
Net loss for the year		(1,774)	(1,872)
<b>Adjustments for:</b>			
Depreciation		1,346	1,345
Interest income		(1,396)	-
Provisions used		-	(747)
<b>Operating loss before working capital changes</b>		<b>(1,824)</b>	<b>(1,274)</b>
(Increase) in due from related parties		(367)	(121)
(Increase) in prepaid expenses and other debit balances		(4,818)	(29)
(decrease) Increase in Due to related parties		(5,085)	1,164
(decrease) Increase in accrued expenses and other credit balances		(66)	23
<b>Net cash used in operating activities</b>		<b>(12,160)</b>	<b>(237)</b>
<b>Cash flows from investing activities</b>			
Interest received		927	-
Loan to parent company		(60,420)	-
<b>Net cash used in investing activities</b>		<b>(59,493)</b>	<b>-</b>
<b>Cash flows from Financing activities</b>			
Proceeds from issuance of share capital		74,460	-
<b>Net cash provided from financing activities</b>		<b>74,460</b>	<b>-</b>
<b>Net Increase (decrease) in cash and cash equivalents during the year</b>		<b>2,807</b>	<b>(237)</b>
Cash and cash equivalents at the beginning of the year		38	275
<b>Cash and cash equivalents at the end of the year</b>	(7)	<b>2,845</b>	<b>38</b>

The accompanying notes from (1) to (17) are an integral part of the financial statements.

# Titan Beton & Aggregates Misr L.L.C.

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

### 1. BACKGROUND

Titan Beton & Aggregates Company L.L.C (4 M Titan Silos Company previously) 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.

In accordance with Extra Ordinary General Assembly Meeting held on 14 July 2008, the shareholders approved to change the company's name and its activities as follows:

- Change in Company name from "Four M Titan Silos L.L.C" to "Titan Beton & Aggregates Misr L.L.C."
- **Previous activity** was to owning, leasing, managing and operating cement silos. The company did not operate from around three years as no exports were produced by APCC and therefore no storage activity is performed.
- **Current activity** is exploitation, operating and leasing quarries and mines, constructing and operating beton factories and participating in construction project, leasing, managing and operating cement silos.

The Company has issued amended commercial registry and in process for amending article of association.

### 2. 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



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**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2008

**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.

**j- Revenue recognition**

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

Interest revenue is recognized as the interest accrues using the effective interest method.

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**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2008

**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.

# Titan Beton & Aggregates Misr L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Amounts in EGP'000

### 4. Property, plant and equipment, net

Description	Silo EGP	Office Equipment EGP	Furniture EGP	Total EGP
<b>Cost</b>				
At of 1 January 2008	8,756	93	18	8,867
Additions	-	-	-	-
<b>As of 31 December 2008</b>	<b>8,756</b>	<b>93</b>	<b>18</b>	<b>8,867</b>
<b>Depreciation</b>				
As of 31.12.2007	6,285	65	15	6,365
Charge for year	1,330	14	2	1,346
<b>As of 31 December 2008</b>	<b>7,615</b>	<b>79</b>	<b>17</b>	<b>7,711</b>
<b>Net book value</b>				
<b>As of 31 December 2008</b>	<b>1,141</b>	<b>14</b>	<b>1</b>	<b>1,156</b>
As of 31 December 2007	2,471	28	3	2,502

### 4. Inventory

	2008	2007
	EGP	EGP
Alexandria Silo inventory	314	314
Safaga Silo inventory	84	84
Provision of obsolete and slow moving inventory	(351)	(351)
	<b>47</b>	<b>47</b>

### 5. Loan to parent company

On November 2008 the Company issued a short term loan to Alexandria Portland Cement Company (parent) of valued at I.E. 60,420 thousands.

The loan term is six months starting from November 2008 and ending on April 2009.

The interest is calculated based on borrower's commercial banks deposits rate plus an additional 0.5%.

### 6. Due from related parties

	2008	2007
	EGP	EGP
Alexnadria Portland Cement Company (parent).	957	121
	<b>957</b>	<b>121</b>

# Titan Beton & Aggregates Misr L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Amounts in EGP'000

### 7. Prepaid expenses and other debit balances

	2008	2007
	EGP	EGP
Withholding taxes	294	294
Refundable deposits	4,254	89
Other receivables	720	67
	<u>5,268</u>	<u>450</u>

### 8. Cash on hand and at banks

	2008	2007
	EGP	EGP
Current accounts		
Cash	3	3
Local currency	2,842	35
	<u>2,845</u>	<u>38</u>

### 9. Due to related parties

	2008	2007
	EGP	EGP
Alexanria Portland Cement Company (parent)	-	5,029
Beni Suef Company for Cement	11	67
	<u>11</u>	<u>5,096</u>

### 10. Accrued expenses and other credit balances

	2008	2007
	EGP	EGP
Accrued expenses	93	144
Social security and other taxes	3	4
Other credit balances	44	58
	<u>140</u>	<u>206</u>

# Titan Beton & Aggregates Misr L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Amounts in EGP'000

### 11. Provisions

	Balance 1/1/2008	Charged during the year	Used during the year	Balance 31/12/2008
	EGP	EGP	EGP	EGP
Tax provision	688	-	-	688
	<b>688</b>	<b>-</b>	<b>-</b>	<b>688</b>

### 12. Issued and Paid-up capital

Issued and paid up capital of the company amounts to L.E 80,000,000, distributed among 800,000 quotas of EGP 100 per quota and is distributed as follows:

Description	Percentage	No. of shares	Value EGP
Alexandria Portland Cement Company	96.5375%	772,300	77,230,000
East Cement Trade Limited	3.4625 %	27,700	2 770 000
<b>TOTAL</b>	<b>100 %</b>	<b>800,000</b>	<b>80,000,000</b>

In Accordance with Extra Ordinary General Meeting held on 30 of July 2008, the company approved the increase of its capital from L.E 5.540 Millions to L.E 80 Millions. The increase in capital was totally financed by Alexandria Portland Cement Company (APCC) by bank transfer in August 2008 amounting to L.E 74.46 Millions and which has increased APCC share percentage from 50% up to 96.54% and East Cement trade Ltd percentage has decreased from 50% to 3.46%.

### 13. Cost of sales

	2008	2007
	EGP	EGP
Depreciation	1,346	1,335
Repairs and maintenance	6	3
Rent	180	180
Insurance	10	6
Salaries and incentives	223	73
Other	24	1
Quary rent	593	-
	<b>2,382</b>	<b>1,598</b>

# Titan Beton & Aggregates Misr L.L.C.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2008

Amounts in EGP'000

### 14. General and administrative expenses

	2008	2007
	EGP	EGP
Salaries ,incentives and social insurance	201	100
Traveling and accomodation expenses	72	25
Audit and consulting fees	458	89
Depreciation	-	10
Other expenses	42	49
	<u>773</u>	<u>273</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 object 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 make objection and this period re-inspection not took place yet .

The period from 2003 till 2006 the company did not received 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.

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**NOTES TO THE FINANCIAL STATEMENTS**

31 December 2008

**Amounts in EGP'000**

**16. Related Party Transactions**

The transactions with related parties for the year are represented in transactions with holding company and its affiliated companies and some of the shareholders as follows:

<b>Company</b>	<b>Description of transactions</b>
<b>Alexandria Portland Cement Company S.A.E</b>	Transactions represented in current account between both companies and Loan to Alexandria Portland Cement Company S.A.E as presented in note (5) with interest income of L.E 469 Thousands.

**17. Comparative figures**

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