BENI SUEF CEMENT COMPANY (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
TOGETHER WITH AUDITOR'S REPORT

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AUDITOR'S REPORT TO THE MANAGMENT OF BENI SUEF CEMENT COMPANY (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of **Beni Suef Cement Company (S.A.E),** represented in the balance sheet as at 31 December 2009, 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 Standards on Auditing and applicable Egyptian laws. Those standards require that we 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 € 3,100K. 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 **Beni Suef Cement Company (S.A.E)** as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

Without qualifying our opinion, we draw attention to the following:

- Complying with Beni Suef's Governor decision to collect state development fees of LE 2 against each cement ton produced effective 22 October 2002, the Company has paid amounts to Beni Suef Governorate on account of the amounts due by the Company and in return has raised a court case to cancel that decision and refund the amounts paid. The Company's legal advisor believes that the likelihood of the Company gaining this case is probable, accordingly, the total balance paid amounting to LE 9.6 M as of 31 December 2009 was included in the other current assets until the final ruling in the court case.

- The Nile Organization has raised a court case against the Company claiming compensation amounting to LE 300 M for the harms resulted from the Company's use of the quarries land. The Company's legal advisor believes that the likelihood of the Company gaining this case is probable.

- During the 4th quarter of 2007, the Company obtained the license for the second line for cement production for LE 135 M through a bid held by the Trading and Industrial Authority. The Industrial Development Authority subsequently raised the license value to LE 251 M where the Company in return has raised a court case against the Industrial Development Authority during October 2008 to safeguard its right in the license. The Company's legal advisor believes that the likelihood of the Company gaining this case is probable.

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 and the physical inventory count was undertaken by the Company's Management in accordance with the proper norms.

Abdelmohsen A. Tageldeen
Certified Public Accountant (USA)
Fellow of the Egyptian Association of Accountants and Auditors
R.A.A. 15058
Cairo: 1 February 2010

Beni Suef Cement Company (S.A.E)

STATEMENT OF INCOME

For The Year Ended 31 December 2009

	Note	2009 KEGP	2008 KEGP
Sales, net	(22)	947,745	636,622
Cost of sales	(23)	(591,700)	(365,491)
GROSS PROFIT		356,045	271,131
General and administrative expenses	(25)	(38,204)	(32,120)
Decline in value of due from related parties		-	(504)
Provisions		(2,457)	(5,915)
Provisions no longer required		6,714	2,209
Other income	(24)	4,446	3,850
Other expenses		(5,212)	(10,000)
OPERATING PROFITS		321,332	228,651
Finance income		1,589	1,989
Finance costs		(21,535)	(6,068)
Gain from sale of investments		24,696	-
Investments income		9,694	14,493
Gain from sale of property, plant and equipment		270	196
Foreign exchange		6,946	(42,696)
NET PROFIT BEFORE INCOME TAXES		342,992	196,565
Income tax expense		-	(30,005)
Deferred tax expenses		(68,375)	(9,423)
NET PROFIT		274,617	157,137
EARNINGS PER SHARE	(32)	5.28	3.02

- The accompanying notes from (1) to (35) are an integral part of these financial statements.

Beni Suef Cement Company (S.A.E)

STATEMENT OF COMPREHENSIVE INCOME

For Year Ended 31 December 2009

	Note	**2009**	**2008** Restated
		KEGP	KEGP
NET PROFIT		**274,617**	157,137
Asset revaluation surplus		-	607,260
TOTAL OTHER COMREHENSIVE INCOME		-	607,260
NET COMPREHENSIVE INCOME		**274,617**	764,397

There are no other components of comprehensive income during the year ended 31 December 2009. Hence, the total comprehensive income is equal to the net profits for the year.

- The accompanying notes from (1) to (35) are an integral part of these financial statements.

BALANCE SHEET

31 December 2009

	Note	2009 KEGP	2008 KEGP
Non-current assets			
Property, plant and equipment, net	(3)	**2,246,820**	1,358,171
Projects under construction	(4)	**85,764**	463,873
Intangible assets, net	(5)	**95,546**	1,233
Investment in associates, net	(6)	-	-
Available - for - sale investment	(7)	**17,489**	31,913
		2,445,619	1,855,190
Current assets			
Inventory, net	(8)	**104,501**	105,135
Accounts receivable, net	(9)	-	-
Due from related parties, net	(10)	**1,950**	1,937
Prepayments and other debit balances	(11)	**102,769**	60,858
Cash at banks	(12)	**2,901**	54,250
		212,121	222,180
Total assets		**2,657,740**	2,077,370
Equity and liabilities			
Equity			
Issued and paid up capital	(13)	**520,000**	520,000
Legal reserve		**28,619**	21,450
Retained earnings		**20,859**	73,760
Net profit for the year		**274,617**	157,137
Revaluation reserve		**594,224**	607,260
Total equity		**1,438,319**	1,379,607
Non-current liabilities			
Credit facility	(14)	**160,000**	122,300
Non current portion from instalments	(29)	**51,014**	-
Non-current portion of term loan	(15)	**148,398**	182,608
Other non-current liability	(16)	**1,003**	3,010
Deferred tax liabilities	(17)	**253,557**	185,182
Provisions	(18)	**14,898**	22,853
		628,870	515,953
Current liabilities			
Current portion of term loan	(15)	**29,680**	30,435
Current portion of other non current liability	(16)	**2,007**	2,195
Current portion of short term instalments	(29)	**12,753**	-
Accounts payable		**69,176**	24,478
Due to related parties	(19)	**46,411**	11,617
Short term loan – related party	(20)	**256,170**	-
Accrued expenses and other credit balances	(21)	**174,354**	113,085
		590,551	181,810
Total equity and liabilities		**2,657,740**	2,077,370

Chief Financial Officer **Chief Executive Officer**

- The accompanying notes from (1) to (35) are an integral part of these financial statements.
- Audit report attached

STATEMENT OF CHANGES IN EQUITY
For The Year Ended 31 December 2009

	Capital KEGP	Legal reserve KEGP	Retained earnings KEGP	Net profit for the year KEGP	Revaluation reserve KEGP	Total KEGP
As at 1 January 2008	520,000	14,981	15,101	139,336	-	689,418
Transfer to retained earnings	-	-	139,336	(139,336)	-	-
Transfer to legal reserve	-	6,469	(6,469)	-	-	-
Dividends	-	-	(80,594)	-	-	(80,594)
Other comprehensive income restated (Note 28)	-	-	-	-	613,646	613,646
Revaluation adjustment	-	-	6,386	-	(6,386)	-
Net profit for the year	-	-	-	157,137	-	157,137
At 31 December 2008	**520,000**	**21,450**	**73,760**	**157,137**	**607,260**	**1,379,607**
As at 1 January 2009	520,000	21,450	73,760	157,137	607,260	1,379,607
Transfer to retained earning	-	-	157,137	(157,137)	-	-
Depreciation transfer for buildings and machinery equipment	-	-	13,036	-	(13,036)	-
Transferred to legal reserve	-	7,169	(7,169)	-	-	-
Dividends	-	-	(215,905)	-	-	(215,905)
Net profits for the year	-	-	-	274,617	-	274,617
				-		
At 31 December 2009	**520,000**	**28,619**	**20,859**	**274,617**	**594,224**	**1,438,319**

- The accompanying notes from (1) to (35) are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For Year Ended 31 December 2009

		2009	2008
		KEGP	KEGP
Operating activities			
Net profit for the year before income taxes		342,992	196,565
Adjustments to reconcile profit before tax to net cash flows			
Non cash:			
Depreciation of property, plant and equipment		44,220	59,021
Amortization of intangible assets		2,826	2,515
Provisions		2,457	5,915
Provisions used		(3,698)	(7,002)
Provisions no longer required		(6,714)	(2,209)
Gain from sale of property, plant and equipment		(270)	(196)
Property, plant and equipment write-off		63	-
Gain from sale of investments		(24,696)	-
Finance income		(1,589)	(1,988)
Finance costs		21,535	6,068
Working capital adjustments :		377,126	258,689
Change in inventory		634	2,896
Change in due from related parties		(13)	3,832
Change in prepayments and other debit balances		(41,911)	(19,478)
Change in accounts payable		44,698	(63,052)
Change in due to related parties		34,794	11,441
Change in accrued expenses and other credit balances		61,269	38,056
Income tax paid		-	(1,255)
NET CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES		476,597	231,129
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		944	196
Increase in project under construction		(555,497)	(215,903)
Additions in intangibles assets		(97,139)	-
Proceeds from sale of investments		39,120	-
Interest received		1,589	1,971
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES		(610,983)	(213,736)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(215,905)	(80,594)
Increase in bank overdraft		-	(41,725)
Increase in credit facility		37,700	122,300
(Decrease) in long term loan		(34,965)	16,089
Increase in short term loan – related party		256,170	-
Increase in instalments		63,767	-
Payment of non - current liabilities		(2,195)	(2,081)
Interest paid		(21,535)	(5,761)
NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES		83,037	8,228
Net (decrease) increase in cash and cash equivalent during the year		(51,349)	25,621
Cash and cash equivalent - beginning of the year		54,250	28,629
CASH AND CASH EQUIVALENT - END OF THE YEAR	(12)	2,901	54,250

- The accompanying notes from (1) to (35) are an integral part of these financial statements.

1 BACKGROUND

Beni Suef Cement Company was established in accordance with the decree of the Egyptian Minister of the General Public Business Sector No. 76/1993 dated 19 October 1993 as an Egyptian joint stock Company wholly owned by the Mining and Refractories Company under the provisions of the Egyptian Public Business Sector Law No. 203 of 1991 and its executive regulation.

The Company was registered in the commercial registry on 3 January 1994 and has started actual production on 30 June 1994.

According to the privatization program of the General Public Business Sector Companies implemented by the Egyptian government, the Company was privatized through the acquisition of 76% of the Company's shares by a foreign major investor on 12 July 1999.

The foreign investment's share has increased to 95% of the Company's shares on 31 December 2000.

An extraordinary general assembly meeting of the Company was held on 29 August 1999 and decided the conciliation of the Company in accordance with Law No. 159 of 1981 and its executive regulation and the capital market Law No. 95 of 1992 and its executive regulation.

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, marketing and selling these products and any other raw materials inside and outside Egypt, and the production of cement bags and others to pack the cement produced and other raw materials and building materials and their transport. The Company may also acquire or operate cement silos and import all the cement production materials, paper bags and spare parts of vehicles and equipment necessary for operating its business and operate and use all types of quarries.

2 SIGNIFICANT ACCOUNTING POLICIES

2 – 1 Basis of preparation

The financial statements are prepared in Egyptian pound in accordance with the International Financial Reporting Standards, the applicable laws and regulations, the historical cost basis (except for land, buildings and machinery equipment) and the going concern basis.

2 – 2 Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the financial statements for the year ended 31 December 2008, except for the adoption of new standards and interpretations as of 1 January 2009, noted below:

- ***IAS 1 Revised presentation of Financial statements***
  The revised standard introduces the statement of comprehensive income which presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company elected to present two statements.

2 – 3 Foreign currency translation

The Company's records are maintained in Egyptian pound. Transactions in foreign currencies during the period are recorded using the exchange rates prevailing on the transaction date. At the financial position 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. Nonmonetary items that are measured at historical cost in foreign currency are translated using the exchange rates prevailing at the dates of the initial recognition.
Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates prevailing at the date when the fair value is determined.

2 – 4 Property, plant and equipment and depreciation

Vehicles, furniture and office equipment and tools 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
Vehicles	5 - 20
Furniture and office equipment	5 - 10
Tools	5

Effective from May 2008, land, buildings and machinery equipment are measured at fair value less accumulated depreciation on buildings and machinery equipment and impairment losses recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalue asset does not differ materially from its carrying amount.

An increase in carrying amount of the asset as a result of a revaluation is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus. However, the increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

A decrease in carrying amount of the asset as a result of a revaluation is recognised in profit or loss. However, the decrease shall be recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus.

An annual transfer from the asset revaluation reverses to retained earnings is made for the difference between depreciation based on the revaluated carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revaluated amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of buildings, machinery and equipment are calculated on a straight-line basis over the useful life of the asset as follows:

	Years
Buildings	40
Machinery and equipment	40

2 – 5 Project under construction

Projects under construction represent the amounts that are paid for the purpose of constructing or purchasing fixed assets until it is ready to be used in the operation, upon which it is transferred to fixed assets. Projects under construction are valued at cost less impairment.

2 – 6 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition.

After initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Internally generated intangible assets are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end.

Intangible assets represent the computer programs and the related licenses and are amortized using the straight-line method over their estimated useful life (5 years).

2 – 7 Investments in associates

Investments in associates are accounted for using the cost method and in case there is a decline in the value of these investments from its carrying amount, the carrying amount is adjusted by the value of this decline and is charged to the statement of income for each investment separately. Investment income is recognized based on the Company's share of the dividend declared by the general assembly meeting of the investee companies.

2 – 8 Available - for - sale investments

Investments designated as available-for-sale investments are initially recorded at cost and subsequently measured at fair value, unless fair value cannot be reliably measured. Changes in fair value are reported as a separate component of equity.

An assessment is made at each balance sheet date to determine whether there is objective evidence that an investment may be impaired. If such evidence exists, any impairment loss (being the difference between cost and fair value, less any impairment loss previously recognised) is recognised in the income statement.

2 – 9 Inventory

The inventory elements are valued as follows:

a) Spare parts and supplies: at the lower of cost (using the moving average method) or net realizable value.
b) Raw materials: at the lower of cost (using the moving average method) or net realizable value.
c) Finished products: at the lower of the cost of production based on the costing sheets or net realizable value.
d) Work in process: at cost of production of the latest completed phase based on the costing sheets.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The amount of any write down of inventories to net realizable value and all losses of inventories shall be recognized in cost of sales in the statement of income in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realizable value, shall be recognized as reduction of cost of sales in the statement of income in the period in which the reversal occurs

2 – 10 Accounts receivable and other debit balances

Accounts receivable and other debit balances are stated at book value less any impairment losses.
Impairment losses are measured as the difference between the receivables carrying amount and the present value of estimated future cash flows. The impairment loss is recognized in the statement of income. Reversal of impairment is recognized in the statement of income in the period in which it occurs.

2 – 11 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 financial position 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

2 – 12 Legal reserve

According to the Company's article of association, 5% of the net profits of the year are 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.

2 – 13 Borrowing

Borrowings are initially recognized at the value of the consideration received. Amounts maturing within one year are classified as current liabilities, unless the Company has the right to postpone the settlement for a year exceeding twelve months after the financial position date, then the loan balance should be classified as non - current liabilities.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in the income statement.

2 – 14 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 financial position (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.

2 – 15 Revenue recognition

Revenue shall be recognised when all the following conditions have been satisfied:

- The entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The amount of revenue can be measured reliably; and
- It is probable that the economic benefits associated with the transaction will flow to the entity.

2 – 16 Expenses

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

2 – 17 Borrowing costs

Borrowing costs are recorded in the statement of income as financing expenses except the borrowing costs directly related to the acquisition, construction or production of a qualifying assets which is included as part of the cost of the asset.

2 – 18 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.

2 – 19 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 periods. Actual results could differ from these estimates.

2 – 20 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 and the impairment loss is charged to the statement of income. 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.

2 – 21 Cash flow statement

The cash flow statement is prepared using the indirect method.

2 – 22 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.

3 PROPERTY, PLANT AND EQUIPMENT, NET

	Land KEGP	Buildings KEGP	Machinery and equipment KEGP	Vehicles KEGP	Furniture and Fixture KEGP	Tools KEGP	Total KEGP
Cost							
As of 1 January 2009	324,472	235,809	804,502	97,698	9,231	4,817	1,476,529
Transferred from projects under construction	-	1,361	929,176	579	878	1,612	933,606
Disposals	-	(628)	-	(558)	(316)	-	(1,502)
Write off	-	-	-	(1,127)	(326)	-	(1,453)
As of 31 December 2009	324,472	236,542	1,733,678	96,592	9,467	6,429	2,407,180
Accumulated depreciation							
As of 1 January 2009	-	(4,356)	(14,789)	(88,560)	(7,220)	(3,433)	(118,358)
Depreciation for the year	-	(8,856)	(31,195)	(2,463)	(992)	(714)	(44,220)
Disposals	-	23	-	489	316	-	828
Write off	-	-	-	1,077	313	-	1,390
As of 31 December 2009	-	(13,189)	(45,984)	(89,457)	(7,583)	(4,147)	(160,360)
Net book value							
As of 31 December 2009	**324,472**	**223,353**	**1,687,694**	**7,135**	**1,884**	**2,282**	**2,246,820**
As of 31 December 2008	324,472	231,453	789,713	9,138	2,011	1,384	1,358,171

There is no mortgage over the fixed assets.

The company has revalued its land, buildings and machinery in May 2008 using an independent valuer for land valuation and using Titan Cement group, Engineering and Technology department for building and machinery valuation. Land valuation is based on market price per square meter adjusted for area, location and industry type.

Buildings and machinery valuation is based on recent market quotes for the construction of new similar production line adjusted for production capacity and years of operation of the company's buildings and machinery.

4 PROJECTS UNDER CONSTRUCTION

	2009 KEGP	2008 KEGP
Beginning balance	463,873	290,190
Additions	555,497	215.903
Transferred to property , plant and equipment	(933,606)	(39,915)
Transferred to intangible assets	-	(2,305)
Ending balance	**85,764**	463,873

5 INTANGIBLE ASSETS, NET

Intangible assets represent the computer programs and the related licenses as follows:

	2009 KEGP	2008 KEGP
Cost		
Beginning balance	**7,750**	5,445
Additions	**97,139**	2,305
Ending balance	**104,889**	7,750
Accumulated amortization		
Beginning balance	**(6,517)**	(4,002)
Amortization for the year	**(2,826)**	(2,515)
Ending balance	**(9,343)**	(6,517)
Net book value	**95,546**	1,233

6 INVESTMENT IN ASSOCIATE, NET

	% of ownership	2009 KEGP	2008 KEGP
Misrieen Titan for Trade and Distribution Company	50%	106	106
Decline in value of investment		(106)	(106)
		-	-

On 6 November 2008, the Company's partners signed the contract to liquidate the Company. The Partners agreed to distribute the Company liquidation losses according to each partner share in the Company's inception contract.

On 25 November 2008, the Company cancelled its Commercial register and the Company is in process of undertaken the legal procedures related to the liquidation. .

7 AVAILABLE - FOR - SALE INVESTMENT

Available - for - sale investment represents the quoted shares of Alexandria Portland Cement Company in an inactive market, these investments are carried at cost with a value of KEGP 17,489 because the fair value cannot be reliably determined due to the unpredictable nature of future cash flows.

8 INVENTORY, NET

	2009 KEGP	2008 KEGP
Raw materials	2,127	4,031
Fuel and oil	1,759	2,154
Spare parts and supplies	90,533	87,506
Packing materials	3,824	3,968
Work in process	5,508	15,695
Finished goods	7,382	3,260
Goods in transit	1,197	4,107
	112,330	120,721
Decline in value of inventory	(7,829)	(15,586)
	104,501	105,135

9 ACCOUNTS RECEIVABLE, NET

	2009 KEGP	2008 KEGP
Accounts receivable	**31**	31
Decline in value of accounts receivable	**(31)**	(31)
	-	-

10 DUE FROM RELATED PARTIES, NET

	2009 KEGP	2008 KEGP
Titan Beton & Aggregates Egypt	**23**	11
Misrieen Titan for Trade and Distribution Company	**3,031**	3,030
	3,054	3,041
Decline in value of due from related parties	**(1,104)**	(1,104)
	1,950	1,937

11 PREPAYMENTS AND OTHER DEBIT BALANCES

	2009 KEGP	2008 KEGP
Prepaid expenses	**1,109**	398
Advances to suppliers	**10,387**	9,561
Accrued interest	**3**	17
Tax authority	**44,241**	16,810
Sundry debtors	**857**	4,322
Margin on letters of guarantee	**3,346**	5,323
Deposits with others	**25,454**	4,891
Employees' imprests and advances	**922**	317
Employees' profit share interim payments	-	9,625
Other debit balances	**16,450**	9,594
	102,769	60,858

12 CASH AT BANKS

	2009 KEGP	2008 KEGP
a) Egyptian pound		
Current accounts	**2,809**	53,789
	2,809	53,789
b) Foreign currency		
Current accounts	**92**	461
	92	461
	2,901	54,250

13 CAPITAL

The Company's authorized capital amounts to KEGP 1 billion, while the Company's issued and paid up capital amounts to KEGP 520 million divided over 52 million shares of par value KEGP 10 each as follows:

	%	No. of Shares	Value KEGP
Titan For Investment Egypt	94.998	49399	493,990
Alexandria Portland Cement Company	5.000	2600	26,000
Iapetos Limited	0.002	1	10
	100.00	**52000**	**520,000**

14 CREDIT FACILITY

The Company was granted a revolving credit facility amounting to LE 700 M from HSBC (Mandated Lead Arranger & Facility Agent), National Societe Generale Bank and Piraues Bank to be repaid after five years from the signing date of the contract with an interest rate on the drawn amounts to be calculated based on the interest rate granted by the HSBC to customers for three months deposit / (1 – Central Bank of Egypt reserve requirements).

The credit facility balance as of 31 December 2009 amounted to KEGP 160,000 (exclusive interests). The Company has the right to repay all or part of the amounts drawn.

15 TERM LOAN

On 9 September 1992, the Company obtained a long term loan amounting to JPY 10,253,894,440 from Mitsubishi Bank, to be repaid over 28 semi annual instalments starting 20 June 2002 till 20 December 2015 with an annual interest rate of 2.7%.

The loan balance as of 31 December 2009 amounted to KEGP 178,078 (exclusive interests) as follows:

	2009 KEGP	2008 KEGP
Balance due (JPY loan)	**178,078**	213,043
Current portion	**(29,680)**	(٣٠,٤٣٥)
	148,398	182,608

16 OTHER NON-CURRENT LIABILITIES

On 14 April 2004, the Company purchased treasury stocks amounting to 1650000 shares from the Mining and Refractories Holding Company which was owned by the Employees Fund of Beni Suef Cement Company for a total amount of KEGP 21,318. The Company paid KEGP 8,275 and the remaining balance amounting to KEGP 13,043 will be paid over 7 annual instalments starting 1 April 2005 with an annual interest rate of 5% (guaranteed by letter of guarantee issued by the Company).

The company sold these treasury stocks later to Alexandria Portland Cement Company.

The balance due by the Company to the Mining and Refractories Holding Company as of 31 December 2009 amounted to KEGP 3,292 (inclusive interests) as follows:

	2009	2008
	KEGP	KEGP
Balance due	**3,010**	5,205
Current portion	**(2,007)**	(2,195)
	1,003	3,010

17 DEFERRED TAX LIABILITIES

	2009	**2009**	2008	2008
	Asset	**Liability**	Asset	Liability
	KEGP	**KEGP**	KEGP	KEGP
Depreciation and amortization	-	**(109,572)**	-	**(41,147)**
Revaluation reserve *	-	**(148,623)**		**(151,815)**
Provisions	**4,638**		**7,780**	-
	4,638	**(258,195)**	**7,780**	**(192,962)**
Net deferred income tax liability		**(253,557)**		**(185,182)**

* Deferred Tax liability on revaluation reserve is recorded against deferred tax on revaluation reserve account in equity at 20% of the revaluation reserve amounted to KEGP 151,815 as of 31 December 2009 less amounts closed in the income statement for the period from 1 January 2009 to 31 December 2009 amounted to KEGP 3,192 to disclose net deferred tax liability on revaluation reserve of KEGP 148,623 as of 31 December 2009.

18 PROVISIONS

	Balance as of 2008 KEGP	Charged KEGP	Used KEGP	No longer required KEGP	**Balance as of 2009 KEGP**
Provision for litigation	4,436	-	-	(497)	**3,939**
Provision for bypass transfer	5,548	-	(1,338)	-	**4,210**
Provision for Voluntarily Early Leave Pay	5,500		(2,360)	-	**3,140**
Provision for expected claims	7,369	2,457	-	(6,217)	**3,609**
	22,853	2,457	(3,698)	(6,714)	**14,898**

19 DUE TO RELATED PARTIES

		2009	2008
		KEGP	KEGP
Alexandria Portland Cement Company	Current	**38,275**	10,568
Alexandria Portland Cement Company (Note 20)	Interest	**7,352**	-
Titan Cement Company S A	Current	**784**	1,049
		46,411	11,617

20 SHORT TERM LOAN – RELATED PARTY

During the period ended 30 June 2009, the Company obtained a short term loan from Alexandria Portland Cement Company with an interest rate on the drawn amounts to be calculated based on the interest rate granted by the Commercial banks on deposits in addition to 0.5% as compensation to the lender.

The short term loan balance as of 31 December 2009 amounted to KEGP 256,170 (exclusive interests). The Company's management has the intention to pay the short term loan within twelve months after the balance sheet date and accordingly it is recorded in the current liabilities.

21 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2009 KEGP	2008 KEGP
Accrued expenses	**28,746**	24,304
Advances from customers	**130,635**	51,166
Tax authority	**4,803**	34,479
Sundry creditors	**-**	482
Deposits from others	**10,013**	2,515
Social insurance authority	**157**	139
	174,354	113,085

22 SALES, NET

	2009 KEGP	2008 KEGP
Cement sales (domestic)	**947,745**	636,622
	947,745	636,622

23 COST OF SALES

	2009 KEGP	2008 KEGP
Depreciation	**43,169**	57,784
Slow moving inventory	**7,829**	39
Distribution cost	**8,091**	-
Variable cost	**385,645**	191,100
Fixed cost	**74,953**	67,275
Packing cost	**69,021**	56,971
Inventory change	**2,992**	(7,678)
	591,700	365,491

24 OTHER INCOME

	2009 KEGP	2008 KEGP
Scrap sales	**721**	1,133
Others	**3,725**	2,717
	4,446	3,850

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 KEGP	2008 KEGP
Administrative expenses	30,157	25,193
Selling and marketing expenses	4,156	3,175
Depreciation and amortization	3,891	3,752
	38,204	32,120

26 COMMITMENTS

	Current portion KEGP	From 1to 5 years KEGP	More than 5 years KEGP	Total KEGP
Future purchase commitments:				
Gas supply	85,815	343,260	1,065,539	1,494,614

The purchase commitment amounting to 1,494,614 KEGP represents the minimum gas purchase quantity as per the contract agreement between the gas supplier and the company.

27 CONTINGENT LIABILITIES

The Letters of guarantee issued at the Company's request by banks in favour of third parties as of 31 December 2009 amounted to KEGP 322,629, whereas, the cash margin of these letters amounted to KEGP 3,346 as follows:

	Amount in currency	Equivalent in KEGP	Cash margin KEGP
Letters of guarantee - Egyptian pound	254,346	254,346	3,346
Letters of guarantee - Euro	6,000	47,408	-
Letters of guarantee - US Dollar	3,800	20,875	-
		322,629	3,346

28 PRIOR PERIOD ADJUSTMENT

The Company did not calculate the deferred tax effect related to the revaluation of land that took place at 30 June 2008. This error was corrected as follows:

- The Company adjusted the revaluation surplus in other comprehensive income as of 30 June 2008 by KEGP 63,719.
- The Company adjusted the deferred tax liability balance and deferred tax revaluation reserve (netted against the revaluation surplus reserve) by the same amount.

29 TERM INSTALLMENTS

On 19 July 2009, the Company entered in a new agreement with the Egyptian Electricity Transmission Company for LE 75,020,000 to install new power transformers stations needed to supply electricity to the second line expansion project of the plant , the Company has paid LE 11,253,000 and the remaining balance amounting to LE 63,676,000will be paid over 10 semi-annually instalments with an annual interest rate to be calculated according to the loan interest rate announced by the Central Bank at the due date of each instalment, The outstanding balance as of 31 December 2009 amounted to 63,767 K EGP (excluding interest).

	2009 KEGP	2008 KEGP
Balance	63,767	-
Current portion	(12,753)	-
	51,014	-

30 TAX SITUATION

a) Corporate taxes
The Company enjoyed a tax holiday for ten years ended on 30 June 2004.

The Company's records were inspected till the year 2004 and the taxes due currently settle

The Company's records were inspected for the year 2005 but the company didn't receive any tax claim.

No tax inspection took place for the Company's records for the years 2006, 2007 and 2008.

b) Sales taxes
The Company's records were inspected from inception up to the year 2006 and the taxes due were paid.

No tax inspection took place for the Company's records for the years 2007and 2008.

c) Salary taxes
The Company's records were inspected from inception up to the year 2000 and the taxes due were paid.

The Company's records are currently being inspected for the years from 2001 till 2004.

No tax inspection took place for the Company's records for the years from 2005 till 2008.

d) Stamp duty taxes
The Company's records were inspected till the year 2005 and the taxes due were paid.

No tax inspection took place for the Company's records for the years 2006, 2007 and 2008.

31 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Financial instruments
The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash at banks, accounts receivable, due from related parties and other debit balances. The financial liabilities include bank overdraft, credit facility, accounts payable, due to related parties, , long term loan, other non- current liabilities and other credit balances.

The significant accounting policies applied for the recognition and measurement of the above - mentioned financial assets and liabilities and the related income and expenses are included in note (2) of the notes to the financial statements.

b) Foreign currency risk
The foreign currency risk is the risk that the value of the financial assets and liabilities and the related cash inflows and outflows in foreign currencies will fluctuate due to changes in foreign currency exchange rates. The total financial assets denominated in foreign currencies amount to KEGP 1,071, whereas, the total financial liabilities denominated in foreign currencies amount to KEGP 326,880.

c) Fair Value for financial instruments
Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of bank balances, due from related parties and other debit balances. Financial liabilities consist of long term loans, other long term liability, credit facility , trade payables and other credit balances.

The fair values of financial instruments, with the exception of certain available-for-sale investments carried at cost are not materially different from their carrying values.

d) **Interest rate risk**
The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The Company monitors the maturity structure of assets and liabilities with the related interest rates.

e) **Liquidity risk**
The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facility, and bank loans.

32 EARNINGS PER SHARE

Earnings per share were calculated by dividing the net profits for the year by the number of shares outstanding that were not changed during the year. Earnings per share amounted to EGP 5.28.

33 DIVIDENDS

In accordance with the resolution of the Annual Assembly meeting held 31 March 2009, the Company has declared dividends to shareholders amounted to EGP 216 M which was paid during June 2009.

34 RELATED PARTY TRANSACTIONS

a) Total expenses charged to the Company by Titan for the year ended 31 December 2009 amounted to KEGP 3,286 included in the general and administrative expenses.

b) Total interest expenses charged to the Company by Alexandria Portland Cement Company for the year ended 31 December 2009 amounted to KEGP 7,352 included in the finance costs.

c) In accordance with the resolution of the general assembly meeting held on 31 June 2009 the Company received dividends amounting to KEGP 9,694 from Alexandria Portland Cement Company.

d) In accordance with the resolution of the general assembly meeting held on 31 June 2009 the Company paid dividends amounted to KEGP 10,795 to Alexandria Portland Cement Company

e) Gain resulted from sale of shares of Alexandria Portland Cement Company to East Cement LTD amounted to KEGP 24,896.

35 COMPARATIVE FIGURES

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