

**TITAN BETON & AGGREGATES COMPANY (L.L.C.)**

**SEPARATE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009  
TOGETHER WITH AUDITOR'S REPORT**

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

### Report on the Financial Statements

We have audited the accompanying financial statements of **TITAN BETON & AGGREGATES MISR L.L.C**, 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 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.

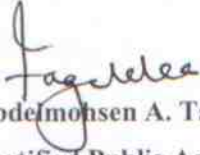
The scope of our audit procedures was established based on the tolerable error set for Titan Cement Company S A group reporting purposes amounting to € 800K. Had we been able to perform our audit based on the stand alone materiality level developed by us, other matters might have come to our attention 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 BETON & AGGREGATES MISR L.L.C**, 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 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: 1 February 2010**



TITAN BETON & AGGREGATES COMPANY (L.L.C.)

SEPARATE STATEMENT OF INCOME

For The Year Ended 31 December 2009

	Note	2009 KEGP	2008 KEGP
Sales, net		-	-
Operating expenses	(3)	<u>(3,701)</u>	<u>(2,382)</u>
<b>GROSS LOSS</b>		<b>(3,701)</b>	<b>(2,382)</b>
General and administrative expenses	(4)	<u>(319)</u>	<u>(767)</u>
<b>OPERATING LOSS</b>		<b>(4,020)</b>	<b>(3,149)</b>
Foreign exchange gain		154	(2)
Interest income		5,139	1,396
Finance expenses		<u>(14)</u>	<u>(19)</u>
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b><u>1,259</u></b>	<b><u>(1,774)</u></b>

- The accompanying notes from (1) to (18) are an integral part of these financial statements.

TITAN BETON & AGGREGATES COMPANY (L.L.C)

SEPARATE BALANCE SHEET

At 31 December 2009

	Note	2009 KEGP	2008 KEGP
<b>Non-current assets</b>			
Property, plant and equipment, net	(5)	325	1,156
Projects under construction	(6)	12,406	-
		<u>12,731</u>	<u>1,156</u>
<b>Current assets</b>			
Inventories	(7)	69	47
Due from related parties	(8 a)	6,016	957
loan to parent company	(9)	45,620	60,420
Prepayments and other debit balances	(10)	7,721	5,268
Cash on hand and at banks	(11)	389	2,845
<b>Total current assets</b>		<u>59,815</u>	<u>69,537</u>
<b>Total assets</b>		<u>72,546</u>	<u>70,693</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued and paid up capital	(12)	80,000	80,000
Legal reserve		15	15
Accumulated losses		(10,161)	(8,387)
Net Profit / loss for the year		1,259	(1,774)
<b>Total equity</b>		<u>71,113</u>	<u>69,854</u>
<b>Current liabilities</b>			
Accounts payable		422	52
Provisions	(13)	688	688
Due to related parties	(8 b)	196	10
Accrued expenses and other credit balances	(14)	127	89
<b>Total liabilities</b>		<u>1,433</u>	<u>839</u>
<b>Total equity and liabilities</b>		<u>72,546</u>	<u>70,693</u>



Chief Financial Officer



Chief Executive Officer

- The accompanying notes from (1) to (18) are an integral part of these financial statements.
- Audit report attached

TITAN BETON & AGGREGATES COMPANY (L.L.C)

SEPARATE STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2009

	Issued & paid up capital KEGP	Legal reserve KEGP	Accumulated losses KEGP	Net loss/profits for the year KEGP	Total KEGP
At 1 January 2008	5,540	15	(6,515)	(1,872)	2,832
Transfer to accumulated losses	-	-	(1,872)	1,872	-
Net loss for the year	-	-	-	(1,774)	(1,774)
Increase in share capital	74,460	-	-	-	74,460
<b>At 31 December 2008</b>	<b>80,000</b>	<b>15</b>	<b>(8,387)</b>	<b>(1,774)</b>	<b>69,854</b>
At 1 January 2009	80,000	15	(8,387)	(1,774)	69,854
Transfer to retained earnings	-	-	(1,774)	1,774	-
Net profit for the period	-	-	-	1,259	1,259
<b>At 31 December 2009</b>	<b>80,000</b>	<b>15</b>	<b>(10,161)</b>	<b>1,259</b>	<b>71,113</b>

- The accompanying notes from (1) to (18) are an integral part of these financial statements.



TITAN BETON & AGGREGATES COMPANY (L.L.C)

SEPARATE STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2009

	31 December 2009	31 December 2008
Note	KEGP	KEGP
<b>OPERATING ACTIVITIES</b>		
Profit for the year before tax	1,259	(1,774)
<b>Adjustments to reconcile profit before tax to net cash flows</b>		
<b>Non- Cash:</b>		
Depreciation and amortization	1,005	1,346
<b>Working capital adjustments:</b>	2,264	(428)
Change in inventories	(22)	1
Change in due from related parties	80	(858)
Change in short term loan receivable- Intercompany	14,800	(60,420)
Change in prepayments and other debit balances	(7,594)	(4,818)
Change in payable	370	
Change in due to related parties	186	(5,156)
Change in accrued expenses and other credit balances	40	26
<b>NET CASH PROVIDED FROM (USED IN) OPERATING ACTIVITIES</b>	<b>10,124</b>	<b>(71,653)</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of Construction in progress	(12,406)	
Purchase of property, plant and equipment	(174)	-
<b>NET CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>	<b>(12,580)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	-	74,460
<b>NET CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES</b>	<b>-</b>	<b>74,460</b>
<b>Net (decrease) increase in cash and cash equivalent</b>	<b>(2,456)</b>	<b>2,807</b>
Cash and cash equivalent at 1 January	(10) 2,845	38
<b>CASH AND CASH EQUIVALENT AS OF 31 DECEMBER 2009</b>	<b>389</b>	<b>2,845</b>

- The accompanying notes from (1) to (18) are an integral part of these financial statements.

# TITAN BETON & AGGREGATES COMPANY (L.L.C)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

### 1. The company

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

#### 2-1 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.

#### 2-2 Changes in accounting policies

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

#### 2-3 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. 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

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 and Furniture	5-10
Vehicles	5

#### 2-5 Projects 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. Significant accounting policies - continued**

**2-6 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.

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.

**2-7 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.

**2-8 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**2-9 Borrowings**

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 period exceeding one year after the balance sheet date, then the loan balance should be classified as long term 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.

**2-10 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.

# TITAN BETON & AGGREGATES COMPANY (L.L.C)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

### **2-11 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.

### **2-12 Revenue recognition**

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

### **2-13 Expense**

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.

### **2-14 Related party transaction**

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

### **2-15 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.

### **2-16 Related party transaction**

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.

### **2-17 Cash flow statement**

The cash flow statement is prepared using the indirect method.

### **2-18 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 COMPANY (L.L.C)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

3 OPERATING EXPENSES

	2009 KEGP	2008 KEGP
Personal expense	371	223
Royalties	1,746	594
Rent	312	180
Depreciation and amortization	1,006	1,346
Insurance	11	10
Others	255	29
	<u>3,701</u>	<u>2,382</u>

4 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 KEGP	2008 KEGP
Personal expenses	169	201
Professional fees	39	458
Travelling and entertainment expenses	22	72
Other administrative expenses	89	36
	<u>319</u>	<u>767</u>

5 Property, plant and equipment, net

	Silo KEGP	Office equipments and furniture KEGP	Vehicles KEGP	Total KEG
<b>Cost</b>				
At 1 January 2009	8,756	111	-	8,867
Additions	-	-	174	174
At 31 December 2009	<u>8,756</u>	<u>111</u>	<u>174</u>	<u>9,041</u>
<b>Accumulated depreciation</b>				
At 1 January 2009	7,615	96	-	7,711
Depreciation for the year	961	9	35	1,005
At 31 December 2009	<u>8,576</u>	<u>105</u>	<u>35</u>	<u>8,716</u>
<b>Net book value at 31 December 2009</b>	<u>180</u>	<u>6</u>	<u>139</u>	<u>325</u>
Net book value at 31 December 2008	1,141	15	-	1,156

# TITAN BETON & AGGREGATES COMPANY (L.L.C)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

### 6 PROJECTS UNDER CONSTRUCTION

	2009 KEGP	2008 KEGP
Beginning balance	-	-
Additions	12,406	-
Ending balance	<u>12,406</u>	<u>-</u>

### 7 INVENTORIES

	2009 KEGP	2008 KEGP
Alexandria Silo inventory	314	314
Safaga Silo inventory	84	84
Borg El Arab	22	-
Decline in value of spare parts	(351)	(351)
Total inventories at the lower of cost or net realizable value	<u>69</u>	<u>47</u>

### 8 DUE FROM / TO RELATED PARTIES

#### A) DUE FROM RELATED PARTIES

	2009 KEGP	2008 KEGP
Alexandria Portland Cement Company      Current	408	487
Alexandria Portland Cement Company      Interest	5,608	470
	<u>6,016</u>	<u>957</u>

#### B) DUE TO RELATED PARTIES

	2009 KEGP	2008 KEGP
Zlatna Panega Beton (Bulgaria)- Subsidiary of Titan	174	-
Beni Suef Company for Cement	22	10
	<u>196</u>	<u>10</u>

### 9 SHORT-TERM LOAN - INTERCOMPANY

	2009 KEGP	2008 KEGP
Loan to Alexandria Portland Cement Company S.A.E	45,620	60,420
	<u>45,620</u>	<u>60,420</u>

On November 2008 Titan Beton and Aggregate Egypt L.L.C issued a short term loan to the company valued at KLE 60,420 to settle all company remaining loans and obligation.

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



TITAN BETON & AGGREGATES COMPANY (L.L.C)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

13 PROVISIONS

	Balance 1 January 2009 KEGP	Charged KEGP	Used KEGP	Balance 31 December 2009 KEGP
Tax provision	688	-	-	688
	<u>688</u>	<u>-</u>	<u>-</u>	<u>688</u>

14 ACCRUED EXPENSES AND OTHER CREDIT BALANCES

	2009 KEGP	2008 KEGP
Accrued expenses	111	65
Tax authority	5	20
Tax authority – social insurance	4	-
Retention payable	5	4
Other credit balances	2	-
	<u>127</u>	<u>89</u>

15 Tax position

**Corporate tax**

- The company is regularly presenting the annual tax returns on the statutory due dates.
- The company's records are under inspection for the years from 1997 to 2004 the.
- No inspection took place for the years from 2005 till 2008.

**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
- No inspections took place for the years from 2005 till 2008.

**Stamp tax**

- The company records were inspected till the year 1999 and all tax dues were paid.
- The period from 2000 to 2003 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 2008 the company did not received claims from tax authority and this period have not yet been inspected by the Tax Authority.

**Sales tax**

- The company records were inspected till the year 2006 and all tax due were paid.
- No tax inspection took place for the years 2007 and 2008

16 RELATED PARTY TRANSACTIONS

Interest income from Alexandria Portland Cement Company KEGP 5,608



# TITAN BETON & AGGREGATES COMPANY (L.L.C)

## NOTES TO THE SEPARATE FINANCIAL STATEMENTS

At 31 December 2009

### 17 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, due from related parties and other debit balances. The financial liabilities include accounts payable, due to related parties 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 separate 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.

#### 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 trade payables and other credit balances.

#### c) 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.

#### d) 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.

### 18 COMPARATIVE FIGURES

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