

**TITAN BETON & AGGREGATES COMPANY (L.L.C)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**  
**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 2010, 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 € 850K. 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.

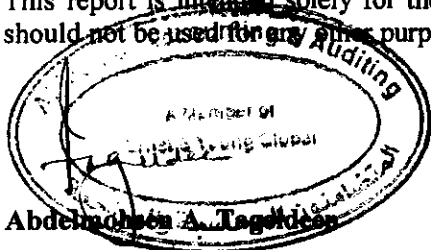
***Opinion***

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 2010, 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 and the physical inventory count was undertaken by the company's management in accordance with the proper norms.

This report is intended solely for the use of the Company and the ultimate Parent Company and should not be used for any other purpose.



Abdelmoneem A. Tageldan

Certified Public Accountant (USA)

Fellow of the Egyptian Association of Accountants and Auditors

R.A.A. 15058

Cairo: 12 February 2011

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

For The Year Ended 31 December 2010

	Notes	2010 KEGP	2009 KEGP
Sales of goods		23,197	-
Rendering of service		986	-
<b>Revenue</b>		<u>24,183</u>	<u>-</u>
Cost of sales	(3)	<u>(23,769)</u>	<u>(3,701)</u>
<b>Gross profit</b>		<u>414</u>	<u>(3,701)</u>
Administrative expenses	(4)	(541)	(319)
Provision	(15)	(35)	-
Other operating income		60	-
Other operating expenses		(314)	-
Foreign exchange difference		59	154
<b>Operating profit</b>		<u>(357)</u>	<u>(3,866)</u>
Finance cost		-	(14)
Finance income		3,704	5,139
<b>Profit before tax</b>		<u>3,347</u>	<u>1,259</u>
Income tax expenses	(16)	<u>(690)</u>	<u>-</u>
<b>Profit for the year</b>		<u>2,657</u>	<u>1,259</u>

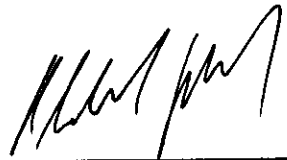
- The accompanying notes from (1) to (23) are an integral part of these financial statements.

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

## STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Notes	2010 KEGP	2009 KEGP
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(5)	21,406	325
Construction in progress	(6)	301	12,406
Intangible assets	(7)	340	-
		<u>22,047</u>	<u>12,731</u>
<b>Current assets</b>			
Trade receivables		990	-
Inventories, net	(8)	210	69
Due from related parties	(9a)	159	6,016
Loan to parent company	(10)	-	45,620
Prepayments and other receivables	(11)	3,054	7,210
Cash and short-term deposits	(12)	50,332	900
		<u>54,745</u>	<u>59,815</u>
<b>Total assets</b>		<u>76,792</u>	<u>72,546</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	(13)	80,000	80,000
Legal reserve		15	15
Accumulated deficit		(8,902)	(10,161)
Profit for the year		2,657	1,259
<b>Total equity</b>		<u>73,770</u>	<u>71,113</u>
<b>Non-current liabilities</b>			
Deferred tax liability	(16)	690	-
		<u>690</u>	<u>-</u>
<b>Current liabilities</b>			
Trade payables		402	422
Accrued expenses and other credit balances	(14)	877	127
Advance from customers		288	-
Due to related parties	(9b)	56	196
Provisions	(15)	709	688
		<u>2,332</u>	<u>1,433</u>
<b>Total equity and liabilities</b>		<u>76,792</u>	<u>72,546</u>

  
 \_\_\_\_\_  
 Chief Financial Officer

  
 \_\_\_\_\_  
 Chief Executive Officer

- The accompanying notes from (1) to (23) are an integral part of these financial statements.
- Auditor's report attached

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

**STATEMENT OF CHANGES IN EQUITY**

For The Year Ended 31 December 2010

	Issued capital KEGP	Legal reserve KEGP	Accumulated deficit KEGP	Profit for the year KEGP	Total KEGP
at 1 January 2009	80,000	15	(8,387)	(1,774)	69,854
transfer to accumulated deficit	-	-	(1,774)	1,774	-
profit for the year	-	-	-	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>
at 1 January 2010	80,000	15	(10,161)	1,259	71,113
transfer to accumulated deficit	-	-	1,259	(1,259)	-
profit for the year	-	-	-	2,657	2,657
<b>at 31 December 2010</b>	<b>80,000</b>	<b>15</b>	<b>(8,902)</b>	<b>2,657</b>	<b>73,770</b>

accompanying notes from (1) to (23) are an integral part of these financial statements.

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

## SEPARATE STATEMENT OF CASH FLOW

For The Year Ended 31 December 2010

	2010	2009
Note	KEGP	KEGP
<b>Operating activities</b>		
Profit before tax	3,347	1,259
<b>Non-cash adjustments to reconcile profit before tax to net cash flows</b>		
Depreciation of property, plant and equipment	2,155	1,005
Amortization of intangible assets	17	-
Movement in Provisions	21	-
Movement in provisions for slow moving inventory	(267)	-
Interest income	(3,704)	(5,139)
<b>Working capital adjustments:</b>	1,569	(2,875)
Restricted cash	-	(511)
Change in trade receivable	(990)	-
Change in inventories	126	(22)
Change in due from related parties	249	80
Change in loan to parent company	45,620	14,800
Change in prepayments and other receivables	4,351	(1,944)
Change in trade payable	(20)	370
Change in due to related parties	(140)	186
Change in advance from customers	288	-
Change in accrued expenses and payables	750	40
Interest received	9,117	-
<b>Net cash flows from operating activities</b>	<u>60,920</u>	<u>10,124</u>
<b>Investing activities</b>		
Payments to acquire fixed assets	(11,488)	(12,580)
<b>Net cash flows (used in) investing activities</b>	<u>(11,488)</u>	<u>(12,580)</u>
<b>Net increase (decrease) in cash and cash equivalent</b>	49,432	(2,456)
Cash and cash equivalent at 1 January	389	2,845
<b>Cash and cash equivalent at 31 December 2010</b>	(12) <u>49,821</u>	<u>389</u>

For the purpose of preparing the statement of cash flow, the cash and cash equivalent comprise of the following:

	Note	2010	2009
		KEGP	KEGP
Cash on hand and at banks	(12)	50,332	900
Less:			
Reserved Time deposits		(511)	(511)
		<u>49,821</u>	<u>389</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 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, establishing, building and operating of Ready-mix concrete plants, precast concrete plant and dryer mortar plants, participate in contracting projects, ownership, renting, management and operating of floating and ground cement terminal and its related barges and marine units, also export and rent all equipment and spare part related to the activity

The Company amended commercial registry on 8 March 2010 No.10841.

### 2 BASIS OF PREPARATION AND 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 and the going concern basis

#### 2-2 Changes in accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2010, except for the adoption of new standards and interpretations as of 1 January 2011, 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.

#### *Improvements to IFRSs*

In May 2008 and April 2009 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

- *IAS 16 Property, Plant and Equipment*: Replaces the term "net selling price" with "fair value less costs to sell". The Company amended its accounting policy accordingly, which did not result in any change in the financial position.
- *IAS 38 Intangible Assets*: Expenditure on advertising and promotional activities is recognized as an expense when the Company either has the right to access the goods or has received the service. This amendment has no impact on the Company because it does not enter into such promotional activities. The reference to there being rarely, if ever, persuasive evidence to support an amortization method of intangible assets other than a straight-line method has been removed. The Company reassessed the useful lives of its intangible assets and concluded that the straight-line method was still appropriate.



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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2-3 Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the interim financial statements:

#### Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

#### 2-4 Foreign currency translation

The financial statements are presented in Egyptian Pounds which is the Company's functional and presentation currency. Transactions in foreign currencies during the year are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

#### 2-5 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty.

The following specific recognition criteria must also be met before revenue is recognized:-

#### *Sale of goods*

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

#### *Rendering of services*

Revenue from pumping readymade mix is recognized by reference to the stage of completion.

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES- CONTINUED

#### 2-6 Taxes

##### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Company operates and generates taxable income.

##### Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

##### Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES- CONTINUED

#### 2-7 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
Machinery	10-20
Building	10 (usage rights period)
Silo	5-10
Office equipment and Furniture	5-10
Vehicles	5
Tools	20

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

#### 2-8 Construction in 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.

#### 2-9 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 (20 years).

#### 2-10 Inventory

Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- a. Raw materials: purchase cost on a moving average basis.
- b. Finished products: cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.
- c. Work in process: at cost of production of the latest completed phase based on the costing sheets.
- d. Spare parts and supplies: purchase cost on a moving average basis.

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 income statement 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 income statement in the period in which the reversal occurs

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES- CONTINUED

#### 2-11 Accounts receivable and other debit balances

Accounts receivable are non- derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, accounts receivable are carried at amortized cost using the effective interest method less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

#### 2-12 Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

#### 2-13 Impairment of assets

##### • Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated.

##### • Impairment of non financial assets

The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. Where the carrying amount of an asset or cash-generating unit's (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in the statement of income.

A previously recognized impairment loss is only reversed if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in 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.

#### 2-14 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### 2-15 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**

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At 31 December 2010

**2 BASIS OF PREPARATION AND ACCOUNTING POLICIES- CONTINUED**

**2-16 Revenue recognition**

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

**2-17 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.

**2-18 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 Cash and short-term deposits**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, short-term deposits with a remaining maturity of three months less restricted time deposits.

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 3 COST OF SALES

	2010 KEGP	2009 KEGP
Variable cost	18,000	1,746
Fixed cost	3,865	950
Depreciation and amortization	2,171	1,005
Slow moving inventory	(267)	-
	<u>23,769</u>	<u>3,701</u>

### 4 ADMINISTRATIVE EXPENSES

	2010 KEGP	2009 KEGP
Administrative expenses	436	319
Selling and distribution expenses	104	-
Depreciation	1	-
	<u>541</u>	<u>319</u>

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

**STATEMENTS TO THE FINANCIAL STATEMENTS**

December 2010

**PROPERTY, PLANT AND EQUIPMENT**

	Buildings		Machinery and equipment		Silo		Office equipments and furniture		Vehicles		Tools		Total	
	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP	KEGP
valuation	-	-	-	-	8,756	8,756	111	174	111	174	111	174	111	174
January 2010	3,387	19,100	19,100	-	-	-	379	359	379	359	11	11	11	23,236
from construction in progress	3,387	19,100	19,100	8,756	8,756	490	533	490	533	11	11	11	11	32,277
December 2010														
related depreciation	-	-	-	8,576	8,576	105	35	105	35	35	-	-	-	8,716
January 2010	275	1,555	1,555	179	179	71	75	71	75	75	-	-	-	2,155
depreciation charged for the year	275	1,555	1,555	8,755	8,755	176	110	176	110	110	-	-	-	10,871
December 2010	3,112	17,545	17,545	1	1	314	423	314	423	423	11	11	11	21,406
book value at 31 December 2010	-	-	-	180	180	6	139	6	139	139	-	-	-	325
book value at 31 December 2009														

gross carrying amount of fully depreciated property, plant and equipment that are still in use amounted to KEGP 8,868 as of 31 December 2010 (31 December 2009: KEGP 4,270)

has no mortgage over the property, plant and equipment.

depreciation charge for the year has been allocated to the income statement as follows:

	2010	2009
of sales	2,170	1,005
	<u>2,171</u>	<u>1,005</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2010

**6 CONSTRUCTION IN PROGRESS**

	2010 KEGP	2009 KEGP
At 1 January	12,406	-
Additions	11,488	12,406
Transferred to property, plant and equipment	(23,236)	-
Transferred to intangible assets	(357)	-
At 31 December 2010 / 31 December 2009	<u>301</u>	<u>12,406</u>

**7 INTANGIBLE ASSETS**

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

	2010 KEGP	2009 KEGP
<b>Cost</b>		
Beginning balance	-	-
Transfer from construction in progress	357	-
Ending balance	<u>357</u>	<u>-</u>
<b>Accumulated amortization</b>		
Beginning balance	-	-
Amortization for the year	17	-
Ending balance	<u>17</u>	<u>-</u>
Net book value	<u>340</u>	<u>-</u>

**8 INVENTORIES, NET**

	2010 KEGP	2009 KEGP
Raw material	187	-
Spares parts	107	420
Less: Decline in value of spare parts	(84)	(351)
	<u>210</u>	<u>69</u>

**9 DUE FROM / TO RELATED PARTIES**

**A) DUE FROM RELATED PARTIES**

		2010 KEGP	2009 KEGP
Alexandria Portland Cement Company	Current account	159	408
Alexandria Portland Cement Company	Accrued interest	-	5,608
		<u>159</u>	<u>6,016</u>

**B) DUE TO RELATED PARTIES**

		2010 KEGP	2009 KEGP
Alexandria Portland Cement Company	Current account	-	174
Beni Suef Company for Cement	Current account	56	22
		<u>56</u>	<u>196</u>



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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 10 LOAN TO PARENT COMPANY

	2010 KEGP	2009 KEGP
Loan to Alexandria Portland Cement Company S.A.E	-	45,620
	<u>-</u>	<u>45,620</u>

On November 2008, the company granted a short term loan to the company amounting to KEGP 60,420. During the last quarter of 2010, the Alexandria Portland Cement Company has totally settled the loan amounting to KEGP 45,620.

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

### 11 PREPAYMENTS AND OTHER RECEIVABLE

	2010 KEGP	2009 KEGP
Prepaid quarry rent	956	2,594
Advances to local suppliers	827	889
Prepaid other expenses	222	104
Interest receivable	195	-
Tax authority- withholding taxes	368	294
Tax authority- sales tax	365	-
Staff receivables	20	90
Refundable deposits	101	89
Customs current account	-	3,150
	<u>3,054</u>	<u>7,210</u>

### 12 CASH AND SHORT-TERM DEPOSITS

	2010 KEGP	2009 KEGP
a) Egyptian pound		
Cash on hand	72	-
Current accounts	2,749	389
Short term deposits	47,000	-
	<u>49,821</u>	<u>389</u>
Reserved deposits	511	511
Cash at banks	<u>50,332</u>	<u>900</u>

### 13 ISSUED CAPITAL

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

Description	Percentage	No. of Shares	Value KEGP
Alexandria Portland Cement Company	96.5375%	772 300	77,230
East Cement Trade Limited	3.4625 %	2 700	2,770
	<u>100 %</u>	<u>800 000</u>	<u>80,000</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2010

**14 ACCRUED EXPENSES AND CREDIT BALANCE**

	2010 KEGP	2009 KEGP
Accrued raw material purchase cost	265	-
Accrued other expenses	376	96
Accrued employee bonus	141	15
Tax authority – sales tax	19	-
Tax authority – withholding tax	43	-
Tax authority – payroll tax	13	5
Tax authority – social insurance	17	4
Retention payable	-	5
Other credit balances	3	2
	<u>877</u>	<u>127</u>

**15 PROVISIONS**

	Balance 1 January 2010 KEGP	Charged KEGP	Used KEGP	Balance 31 December 2010 KEGP
Tax provision	688	35	(14)	709
	<u>688</u>	<u>35</u>	<u>(14)</u>	<u>709</u>

**16 DEFERRED TAX**

	<i>Statement of financial position</i>		<i>Income statement</i>	
	31 December 2010 KEGP	31 December 2009 KEGP	31 December 2010 KEGP	31 December 2009 KEGP
Depreciation and amortization	(68)	-	(68)	-
Carry forward losses	952	-	952	-
Provisions	(1,574)	-	(1,574)	-
Net deferred tax asset (liability)	<u>(690)</u>	<u>-</u>	<u>(690)</u>	<u>-</u>

**17 CONTINGENT LIABILITIES**

The Letters of guarantee issued at the Company's request by banks in favour of third parties as of 31 December 2010 amounted to KEGP 511 whereas; the cash margin of these letters amounted to KEGP 511 (note 12) as follows:

	Amount in currency 000'	Equivalent in KEGP	Cash margin KEGP
National Societe General	511	511	511

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 18 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 2009.

#### 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 2009.

#### 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 2009 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 2009.

### 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments are represented in financial assets and financial liabilities. The financial assets include cash and short-term deposits, trade receivable and other receivables, due form related parties. The financial liabilities include accounts payable, credit facilities, interest bearing loan and borrowings, accrued expenses and other payables and due to related parties.

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 these notes to the financial statements.

The carrying amounts of the financial assets and liabilities referred to in note (2) above are not materially different from their fair values.

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise trade and payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as trade receivable and cash and short-term deposits, which arise directly from its operations.

The Company's is exposed to market risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

#### - Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise two types of risk: interest rate risk and currency risk, such as equity risk. Financial instruments affected by market risk include interest bearing loans and borrowings and short-term deposits.

#### - Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

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.

#### - Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency)

#### - Credit risk

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument of customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks as follows:

	2010	2009
	KEGP	KEGP
Trade receivables		
Due from related parties	990	-
Bank accounts and short-term deposits	159	6,016
Other receivables	50,332	900
Loan to parent company	3,054	7,210
	-	45,620
	<u>54,535</u>	<u>59,746</u>

**Credit risks related to Due from related parties and loans to parent:**

Due from related parties is within minimal credit risk.

**Credit risks related to financial instruments and cash deposits:**

Credit risk from balances with banks and financial institutions is managed by Company's treasury in accordance with the Company's policy.

The Company seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

**Credit risks related to traded and other receivables:**

Outstanding other receivables are regularly monitored by the company's management.

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2010

### 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES- CONTINUED

#### -Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities, interest bearing loans and finance leases.

The table below summarizes the maturity profile of the Company's undiscounted financial liabilities at 31 December 2010 based on contractual (undiscounted) payments:

	<i>Less than 6 months KEGP</i>	<i>6 to 12 months KEGP</i>	<i>1 to 5 years KEGP</i>	<i>&gt; 5 years KEGP</i>	<i>Total KEGP</i>
<u>Year ended 31 December 2010:</u>					
Trade payables	402	-	-	-	402
Accrued expenses and other payable	877	-	-	-	877
Due to related parties	56	-	-	-	56
	<u>1,335</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,335</u>
<u>Year ended 31 December 2009:</u>					
Trade payables	422	-	-	-	422
Accrued expenses and other payable	127	-	-	-	127
Due to related parties	196	-	-	-	196
	<u>745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>745</u>

### 21 RELATED PARTY TRANSACTIONS

Interest income from Alexandria Portland Cement Company is amounting to KEGP 3,509

### 22 SUBSEQUENT EVENTS

Subsequent to the balance sheet date, some substantial events took place in Egypt that impacted the economic environment which in turn could expose the Company to various risks including sustainability of revenues, growth of business, fluctuations in foreign currencies exchange rates and valuation / impairment of assets.

These events do not have an impact on the financial statements for the year ended December 31, 2010, but may impact the financial statements of future periods. While it is difficult to quantify this effect at this point in time, the impact will become visible in the future financial statements. The significance of such an impact will depend on extent and length until which these events and its effect will end.

### 23 COMPARATIVE FIGURES

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