

**TITAN BETON & AGGREGATES MISR (L.L.C)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**  
**TOGETHER WITH AUDITOR'S REPORT**

## AUDITOR'S REPORT TO THE MANAGEMENT OF TITAN BETON AND AGGREGATES MISR (L.L.C)

### Report on the Financial Statements

We have audited the accompanying financial statements of **Titan Beton and Aggregates Misr (L.L.C)**, represented in the statement of financial position as at 31 December 2012, as well as the related statements of comprehensive 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. 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 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 threshold set for **Titan Cement Company SA** group reporting purposes. 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, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of **Titan Beton and Aggregates Misr (L.L.C)** as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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.



**Amr Mohamed El Shaabini**  
Fellow of the Egyptian Association of Accountants and Auditors  
Fellow of the Egyptian Tax Association  
R.A.A. 9365

**Cairo: 7 February 2013**

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

STATEMENT OF COMPREHENSIVE INCOME

For The Year ended 31 December 2012

	Notes	2012 EGP'000'	2011 EGP'000'
Sales		77,680	31,755
Rendering of service		352	986
<b>Revenue</b>		<b>78,032</b>	<b>32,741</b>
Cost of sales	(3)	(83,980)	(31,773)
<b>GROSS (LOSS) / PROFIT</b>		<b>(5,948)</b>	<b>968</b>
Administrative expenses	(4)	(1,184)	(906)
Provision	(15)	(215)	(34)
Provisions no longer required	(15)	270	-
Other operating income		326	72
Foreign exchange difference		512	(13)
<b>OPERATING (LOSS) / PROFIT</b>		<b>(6,239)</b>	<b>87</b>
Finance cost		(30)	-
Finance income		1,922	3,022
<b>(LOSS) / PROFIT BEFORE TAX</b>		<b>(4,347)</b>	<b>3,109</b>
Deferred tax expenses	(16)	998	67
<b>(LOSS) / PROFIT FOR THE YEAR</b>		<b>(3,349)</b>	<b>3,176</b>
<b>Add:</b>			
Other Comprehensive income		-	-
<b>Total Comprehensive income</b>		<b>(3,349)</b>	<b>3,176</b>

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

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

**STATEMENT OF FINANCIAL POSITION**

At 31 December 2012

	Notes	2012 EGP'000'	2011 EGP'000'
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(5)	31,386	20,621
Construction in progress	(6)	26,675	525
Intangible assets	(7)	305	322
Deferred tax asset	(16)	375	-
		<u>58,741</u>	<u>21,468</u>
<b>Current assets</b>			
Trade receivables		3,313	1,596
Inventories	(8)	621	265
Due from related parties	(9a)	685	1,436
Loan receivable –parent	(10)	14,800	42,785
Prepayments and other receivables	(11)	3,486	8,317
Cash and bank	(12)	2,288	5,513
		<u>25,193</u>	<u>59,912</u>
<b>Total assets</b>		<u><b>83,934</b></u>	<u><b>81,380</b></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Issued capital	(13)	80,000	80,000
Legal reserve		15	15
Accumulated deficit		(3,069)	(6,245)
(Loss) / Profit for the year		(3,349)	3,176
<b>Total equity</b>		<u><b>73,597</b></u>	<u><b>76,946</b></u>
<b>Non-current liabilities</b>			
Deferred tax liability	(16)	-	623
		<u>-</u>	<u>623</u>
<b>Current liabilities</b>			
Trade payables		4,477	789
Notes payable		30	13
Accrued expenses and other credit balances	(14)	982	2,061
Advances from customers		958	64
Due to related parties	(9b)	3,393	141
Provisions	(15)	497	743
		<u>10,337</u>	<u>3,811</u>
<b>Total equity and liabilities</b>		<u><b>83,934</b></u>	<u><b>81,380</b></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 MISR (L.L.C)**

**STATEMENT OF CHANGES IN EQUITY**

For The Year ended 31 December 2012

	Issued capital EGP'000'	Legal reserve EGP'000'	Accumulated deficit EGP'000'	Profit/(Loss) for the year EGP'000'	Total EGP'000'
At 1 January 2011	80,000	15	(8,902)	2,657	73,770
Transferred to accumulated deficit	-	-	2,657	(2,657)	-
Profit for the year	-	-	-	3,176	3,176
<b>At 31 December 2011</b>	<b>80,000</b>	<b>15</b>	<b>(6,245)</b>	<b>3,176</b>	<b>76,946</b>
At 1 January 2012	80,000	15	(6,245)	3,176	76,946
Transferred to accumulated deficit	-	-	3,176	(3,176)	-
(Loss) for the year	-	-	-	(3,349)	(3,349)
<b>At 31 December 2012</b>	<b>80,000</b>	<b>15</b>	<b>(3,069)</b>	<b>(3,349)</b>	<b>73,598</b>

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

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

## STATEMENT OF CASH FLOW

For The Year Ended 31 December 2012

	Note	2012 EGP'000'	2011 EGP'000'
<b>Operating activities</b>			
(Loss) / Profit before tax		(4,347)	3,109
<b>Non-cash adjustments to reconcile profit before tax to net cash flows</b>			
Depreciation of property, plant and equipment	(5)	3,886	2,741
Amortization of intangible assets	(7)	17	18
Provisions charged	(15)	215	34
Provisions no longer required	(15)	(270)	-
Movement in decline in value of spare parts	(8)	(84)	-
Finance income		(1,922)	(3,022)
<b>Working capital adjustments:</b>		<b>(2,505)</b>	<b>2,880</b>
Change in restricted cash		-	450
Change in trade receivable		(1,717)	(606)
Change in inventories		(272)	(55)
Change in due from related parties		-	159
Change in prepayments and other receivables		4,831	(5,441)
Change in trade payable		3,688	387
Change in notes payable		17	13
Change in due to related parties		3,252	85
Change in advances from customers		894	(224)
Change in accrued expenses and payables		(1,079)	1,184
		7,109	(1,168)
Provisions used	(15)	(191)	-
Interest received		2,673	1,764
<b>Net cash flows from operating activities</b>		<b>9,591</b>	<b>596</b>
<b>Investing activities</b>			
Payments to acquire construction in progress	(6)	(40,801)	(2,180)
<b>Net cash flows (used in) investing activities</b>		<b>(40,801)</b>	<b>(2,180)</b>
<b>Financing activities</b>			
Change in loan receivable- parent		27,985	(42,785)
<b>Net cash flows from (used in) financing activities</b>		<b>27,985</b>	<b>(42,785)</b>
<b>Net (decrease) in cash and cash equivalent</b>		<b>(3,225)</b>	<b>(44,369)</b>
Cash and cash equivalent at 1 January 2012		5,452	49,821
<b>Cash and cash equivalent at 31 December 2012</b>		<b>2,227</b>	<b>5,452</b>

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

	Note	EGP'000'	EGP'000'
Cash on hand and at banks	(12)	2,288	5,513
Less:			
Reserved Time deposits		(61)	(61)
		2,227	5,452

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

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 1 THE COMPANY

Titan Beton & Aggregates Misr L.L.C (previously named Four M Titan Silos Company (L.L.C) is a Limited Liability Company that was incorporated on 11 September 1997 under the provisions of the law no. 159 of 1981 and its executive regulations.

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

The company's 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 renet all equipment and spare part related to the activity

The Company is registered under the commercial registry 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 historical cost basis and the going concern basis.

The financial statements were approved by the management on 5 February 2013.

#### 2-2 Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous year, except as follows:

#### New and revised Accounting Standards and Interpretations

(a) *Standards, amendments and interpretations effective from 1 January 2011 which are adopted by the Company during 2011 are as follows:*

*IAS 24 Related Party Transactions (Amendment) (effective annual periods beginning on or after 1 January 2011):* The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

#### Improvements to IFRSs

In May 2010, the IASB issued its third 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 or disclosures, but no impact on the financial position or performance of the Company.

#### *IAS 1 Presentation of Financial Statements*

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. The Company provides this analysis in the statement of comprehensive income.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:



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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combination (Amendment to measurement options available for non-controlling interest)
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IFRS 7 Financial Instruments: Disclosures
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statements

The following interpretations and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

*(b) Standards, amendments and interpretations effective in 2011 but not relevant to the Company's operations are as follows:*

The following interpretations of published standards are mandatory for accounting periods beginning on or after 1 January 2011 but are not relevant to the Company's operations:

- IAS 32 Financial Instruments: Presentation (Amendment) (effective for annual periods beginning on or after 1 February 2010)
- IFRS 1 First-time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for First-time adopters (effective 1 July 2010)
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) (effective 1 January 2011)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)

*(c) Standards, amendments and Interpretations in issue but not effective*

At the date of authorisation of these financial statements, other than the Standards and Interpretations adopted by the Company (as described above) the following Standards and Interpretations were in issue but not yet effective:

- IAS 1 Financial Statement Presentation - Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012);
- IAS 19 Employee Benefits (Amendment) (effective for annual periods beginning on or after 1 January 2013);
- IAS 27 Separate Financial Statements (as revised in 2011) (effective for annual periods beginning on or after 1 January 2013);
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) (effective for annual periods beginning on or after 1 January 2013);
- IAS 32 Financial Instruments: Presentation (Amendment) – Guidance on the offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);
- IFRS 7 Financial Instruments: Disclosures — Enhanced Disclosure Requirements about offsetting of financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2013);
- IFRS 7 Financial Instruments: Disclosures — Disclosures about the initial application of IFRS 9 (effective for annual periods beginning on or after 1 January 2015 or otherwise when IFRS 9 is applied);
- IFRS 9 Financial Instruments Classification and Measurement (effective for annual periods beginning on or after 1 January 2015);
- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013);
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2013);
- IFRS 12 Disclosure of Involvement with Other Entities (effective for annual periods beginning on or after 1 January 2013); and
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013).

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 2 SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

The management anticipates that all of the above Standards and Interpretations will be adopted by the Company to the extent applicable to them from their effective dates. The adoption of these Standards, amendments and interpretations is not expected to have any material impact on the financial statements of the Company in the period of their initial application.

#### 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 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.

**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.

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 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 and equipments	10-20
Buildings	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 progress

Construction in progress 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.

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 MISR (L.L.C)

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 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 MISR (L.L.C)

## NOTES TO THE FINANCIAL STATEMENTS

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At 31 December 2012

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

#### 2-16 Expenses

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

#### 2-17 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.

#### 2-18 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 within three months less restricted time deposits.

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 3 COST OF SALES

	2012 EGP '000'	2011 EGP '000'
Variable production cost	60,806	23,919
Fixed production cost	19,398	5,113
Depreciation and amortization	3,860	2,741
Reversal of decline in value of spare parts	(84)	-
	<u>83,980</u>	<u>31,773</u>

### 4 ADMINISTRATIVE EXPENSES

	2012 EGP '000'	2011 EGP '000'
Administrative expenses	658	480
Selling and distribution expenses	483	408
Amortization of intangible assets	17	18
Depreciation	26	-
	<u>1,184</u>	<u>906</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 5 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Silo	Office equipment and furniture	Vehicles	Tools	Total
	EGP '000'	EGP '000'	EGP '000'	EGP '000'	EGP '000'	EGP '000'	EGP '000'
<b>Cost or valuation</b>							
At 1 January 2012	3,409	20,987	8,756	537	533	11	34,233
Transferred from construction in progress (Note 6)	-	14,651	-	-	-	-	14,651
At 31 December 2012	<u>3,409</u>	<u>35,638</u>	<u>8,756</u>	<u>537</u>	<u>533</u>	<u>11</u>	<u>48,884</u>
<b>Accumulated depreciation</b>							
At 1 January 2012	617	3,749	8,756	282	207	1	13,612
Depreciation charged for the year	340	3,341	-	98	106	1	3,886
At 31 December 2012	<u>957</u>	<u>7,090</u>	<u>8,756</u>	<u>380</u>	<u>313</u>	<u>2</u>	<u>17,498</u>
<b>Net book value at 31 December 2012</b>	<u><b>2,452</b></u>	<u><b>28,548</b></u>	<u><b>-</b></u>	<u><b>157</b></u>	<u><b>220</b></u>	<u><b>9</b></u>	<u><b>31,386</b></u>
Net book value at 31 December 2011	<u>2,792</u>	<u>17,238</u>	<u>-</u>	<u>255</u>	<u>326</u>	<u>10</u>	<u>20,621</u>

- The gross carrying amount of fully depreciated property, plant and equipment that are still in use amounted to EGP 8,870 thousands as of 31 December 2012 (31 December 2011: EGP 8,870 thousands)

- There is no mortgage over the property, plant and equipment.

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

	2012 EGP '000'	2011 EGP '000'
Cost of sales	3,860	2,741
Administrative expenses	26	-
	<u>3,886</u>	<u>2,741</u>



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

**NOTES TO THE FINANCIAL STATEMENTS**

At 31 December 2012

**6 CONSTRUCTION IN PROGRESS**

	2012 EGP '000'	2011 EGP '000'
At 1 January	525	301
Additions	40,801	2,180
Transferred to property, plant and equipment (Note 5)	(14,651)	(1,956)
<b>Ending balance</b>	<b>26,675</b>	<b>525</b>

**7 INTANGIBLE ASSETS**

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

	2012 EGP '000'	2011 EGP '000'
<b>Cost</b>		
Beginning balance	357	357
Ending balance	357	357
<b>Accumulated amortization</b>		
Beginning balance	35	17
Amortization	17	18
Ending balance	52	35
<b>Net book value</b>	<b>305</b>	<b>322</b>

**8 INVENTORIES**

	2012 EGP '000'	2011 EGP '000'
Raw material	353	248
Spares parts	258	101
Fuel and Lubricants	10	-
Less: Decline in value of spare parts	-	(84)
	<b>621</b>	<b>265</b>

**9 DUE FROM / TO RELATED PARTIES**

**A) DUE FROM RELATED PARTIES**

Account Nature	2012 EGP '000'	2011 EGP '000'
Alexandria Portland Cement Company	685	1,436
	<b>685</b>	<b>1,436</b>

**B) DUE TO RELATED PARTIES**

Account Nature	2012 EGP '000'	2011 EGP '000'
Beni Suef Cement Company	2,758	104
Alexandria Portland Cement Company	635	37
	<b>3,393</b>	<b>141</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 10 LOAN RECEIVABLE- PARENT

	2012 EGP '000'	2011 EGP '000'
Loan to Alexandria Portland Cement Company S.A.E	14,800	42,785
	<u>14,800</u>	<u>42,785</u>

During the period ended 30 June 2011, the Company has granted a short term loan to 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%.

On December 2011, the company has amended the intercompany loan agreement terms to be repaid within one year starting from December 2011.

On 28th of December 2012, the company has signed a loan extension agreement whereby the two parties agreed to extend the settlement term at which the loan will be repaid within one year from the date of the amended contract and to reduce the loan ceiling from EGP 50 Million to EGP 15 Million; accordingly, it is recorded under current assets..

### 11 PREPAYMENTS AND OTHER RECEIVABLES

	2012 EGP '000'	2011 EGP '000'
Advances to local suppliers	1,930	373
Tax authority- withholding taxes	511	465
Tax authority- sales tax	306	270
Prepaid other expenses	395	261
Staff receivables	200	200
Deposits	144	142
Letter of credit margin	-	6,589
Other debit balances	-	17
	<u>3,486</u>	<u>8,317</u>

### 12 CASH AND BANKS

	2012 EGP '000'	2011 EGP '000'
<b>a) Egyptian pound</b>		
Cash on hand	46	-
Current accounts	2,109	5,452
	<u>2,155</u>	<u>5,452</u>
<b>b) Foreign currency</b>		
Current accounts	72	-
<b>Cash and cash equivalent</b>	<u>2,227</u>	<u>5,452</u>
Reserved deposits (Note 17)	61	61
Cash at banks	<u>2,288</u>	<u>5,513</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 13 ISSUED CAPITAL

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

Description	Percentage	No. of Quotas	Value EGP '000'
Alexandria Portland Cement Company S.A.E	96.5375%	772 300	77,230
East Cement Trade Limited	3.4625 %	2 7700	2,770
	<u>100 %</u>	<u>800 000</u>	<u>80,000</u>

### 14 ACCRUED EXPENSES AND CREDIT BALANCES

	2012 EGP '000'	2011 EGP '000'
Accrued employee bonus	294	132
Accrued other expenses	291	400
Accrued raw material purchase cost	154	1,432
Tax authority – withholding tax	83	35
Tax authority – payroll tax	56	18
Tax authority – social insurance	45	29
Tax authority – sales tax	36	7
Accrued salaries	17	-
Other credit balances	6	8
	<u>982</u>	<u>2,061</u>

### 15 PROVISIONS

	Balance 1 January 2012 EGP '000'	Charged EGP '000'	Used EGP '000'	No longer required EGP '000'	Balance 31 December 2012 EGP '000'
Tax provision	743	215	(191)	(270)	497
	<u>743</u>	<u>215</u>	<u>(191)</u>	<u>(270)</u>	<u>497</u>

### 16 DEFERRED TAX

	<i>Statement of financial position</i>		<i>Income statement</i>	
	2012 EGP '000'	2011 EGP '000'	2012 EGP '000'	2011 EGP '000'
Depreciation and amortization	(2,711)	(1,692)	(1,019)	(1,624)
Carry forward losses	2,987	903	2,084	(49)
Provisions	99	166	(67)	1,740
Net deferred tax Asset / liability	<u>375</u>	<u>(623)</u>	<u>998</u>	<u>67</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 2012 amounted to EGP 61 thousands whereas; the cash margin of these letters amounted to EGP 61 thousands (note 12) as follows:

	Amount in currency 000'	Equivalent in EGP '000'	Cash margin EGP '000'
National Societe General	61	61	61

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

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 18 TAX POSITION

#### a) Corporate taxes

- The Company's records were inspected and settled for the years 1997 till the year 2004
- The Company didn't receive any tax claim for the years 2005 and 2006 and according to the Egyptian tax law no. 91 for year 2005 the company returns are authorized.
- No tax inspection took place for the Company's records for the years 2007 till 2012.

#### b) Sales taxes

- The Company's records were inspected till the year 2006 and the taxes due were paid.
- No tax inspection took place for the Company's records for the years 2007 till 2011.

#### c) Salary taxes

- The Company's records were inspected till the year 2004 and the taxes due were paid.
- The Company's records are under inspection for the years from 2005 till 2009.
- No tax inspection took place for the Company's records for the years 2010 till 2012.

#### d) Stamp duty taxes

- The Company's records were inspected till the year 1999 and the taxes due were paid.
- The company's records are inspected for the years 2000 till 2003 and the company is preparing for the appeal committee.
- No tax inspection took place for the Company's records for the years from 2003 till 2012.

### 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, due from related parties trade receivable and other receivables. The financial liabilities include accounts payable, due to related parties, accrued expenses and other payables.

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 MISR (L.L.C)

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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:

	2012 EGP '000'	2011 EGP '000'
Trade receivables	3,313	1,596
Due from related parties	685	1,436
Cash at banks	2,242	5,513
Other receivables	3,486	8,317
Loan receivable- parent	14,800	42,785
	<u>24,526</u>	<u>59,647</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 MISR (L.L.C)

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2012

### 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 2012 based on contractual (undiscounted) payments:

	<i>Less than 6 months EGP '000'</i>	<i>6 to 12 months EGP '000'</i>	<i>1 to 5 years EGP '000'</i>	<i>&gt; 5 years EGP '000'</i>	<i>Total EGP '000'</i>
<u>Year ended 31 December 2012:</u>					
Trade payables	4,477	-	-	-	4,477
Accrued expenses and other payable	982	-	-	-	982
Due to related parties	3,393	-	-	-	3,393
	<u>8,852</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,852</u>
<u>Year ended 31 December 2011:</u>					
Trade payables	789	-	-	-	789
Accrued expenses and other payable	2,061	-	-	-	2,061
Due to related parties	141	-	-	-	141
	<u>2,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,991</u>

### 21 RELATED PARTY TRANSACTIONS

The company consummates transactions with related parties on commercial terms approved by the Board of Directors. Transactions with related parties affecting the income statement can be summarized as follows:

- Interest income from Alexandria Portland Cement Company during 2012 is amounting to EGP 817 thousands (2011: EGP 1,436 thousands)

### 22 SUBSTANTIAL EVENTS

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

### 23 COMPARATIVE FIGURES

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