

AL BADIA CEMENT COMPANY
(A Joint Stock Company)
Damascus, Syrian Arab Republic

FINANCIAL STATEMENTS
FOR THE PERIOD FROM
SEPTEMBER 3, 2008 (ESTABLISHMENT DATE)
UP TO DECEMBER 31, 2009

AND INDEPENDENT AUDITOR'S REPORT

**AL BADIA CEMENT COMPANY
(A Joint Stock Company)
Damascus, Syrian Arab Republic**

**FINANCIAL STATEMENTS
FOR THE PERIOD FROM
SEPTEMBER 3, 2008 (ESTABLISHMENT DATE)
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AND INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF
AL BADIA CEMENT COMPANY J.S.C.**

Report on the Financial Statements

We have audited the accompanying financial statements of Al Badia Cement Company J.S.C. (the Company), which comprise the statement of financial position as of December 31, 2009, and the statements of comprehensive income, changes in equity and cash flows for the period from September 3, 2008 (Establishment date) up to December 31, 2009 and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; 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 International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our 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, we consider 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 principles 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2009, and of its financial performance and its cash flows for the period from September 3, 2008 (Establishment date) up to December 31, 2009 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion stated above, we draw attention to note 25 to the financial statements. The Company is in the process in finalizing a new financing facility with an Islamic financial institution, it has a pending loan request for an amount of US\$ 100,000,000 (equivalent to SYP 4,570,000,000) from an Islamic financing fund based in Saudi Arabia which was approved on December 14, 2009, and is expected to be obtained in March 2010. Also, an agreement with the main project contractor has been reached to settle the two (2) invoices mentioned in the said note in March 2010. Moreover, the Company has decided to finance the project by the remaining 40% of share capital which will be collected in August 2010 and August 2011 subject to the board of directors' approval.

In this connection, we noted that the Company's management has presented cash flow projection for the next twelve months subsequent to the financial position's date which shows positive cash flows. Thus, management believes that the liquidity shortage will be resolved soon, and the Company will continue to operate as a going concern in the foreseeable future..

Report on Other Legal and Regulatory Requirements

We have obtained from management the information and clarifications that we deemed necessary for our audit. The Company keeps proper accounting records, and the accompanying financial statements are in agreement therewith. We are not aware of any reasons that prevent approving these financial statements.

M. Zohdi Mejanni
Associated Accountant
License No (190)

Damascus, March 23, 2010

ENGLISH TRANSLATION OF THE ORIGINAL ARABIC ATTACHED TEXT

AL BADIA CEMENT COMPANY
(A Joint Stock Company)
Damascus, Syrian Arab Republic

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009

	<u>Note</u>	<u>SYP</u>
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	6	7,239,703,614
Intangible assets	7	29,014,158
Other non - current assets	8	<u>45,700,000</u>
		<u>7,314,417,772</u>
CURRENT ASSETS		
Debtors and other debit balances	9	51,841,161
Advances to contractors	10	1,909,999,912
Cash and cash equivalents	11	<u>568,473,391</u>
		<u>2,530,314,464</u>
Total Assets		<u>9,844,732,236</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	12	7,317,150,490
Retained losses		<u>(360,135,545)</u>
		<u>6,957,014,945</u>
LIABILITIES		
Due to suppliers and contractors	13	2,611,322,107
Due to related parties	14	234,110,504
Other payables and accrued expenses	15	<u>42,284,680</u>
		<u>2,887,717,291</u>
Total Equity and Liabilities		<u>9,844,732,236</u>

(The notes on pages 7 to 26 are an integral part of these financial statements)

Emad Abdul Kader Al Muhaidib
Chairman

Khaled Bassam Al Sawaf
Chief Executive Officer

Auditor's report attached.

M. Zohdi Mejanni
Associated Accountant

ENGLISH TRANSLATION OF THE ORIGINAL ARABIC ATTACHED TEXT

AL BADIA CEMENT COMPANY
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM SEPTEMBER 3, 2008 (ESTABLISHMENT DATE) UP TO
DECEMBER 31, 2009

	<u>Note</u>	<u>SYP</u>
REVENUE		<u>-</u>
EXPENSES		
Administrative expenses	16	(148,196,549)
Pre-establishment expenses	17	(82,493,110)
Foreign currency exchange loss		(160,616,036)
Interest income		31,116,506
Capital gains		<u>53,644</u>
		<u>(360,135,545)</u>
Loss for the period		(360,135,545)
Other comprehensive income		<u>-</u>
Total comprehensive loss for the period		<u>(360,135,545)</u>
Loss per share	21	<u>(24.61)</u>

(The notes on pages 7 to 26 are an integral part of these financial statements)

Emad Abdul Kader Al Muhaidib
Chairman

Khaled Bassam Al Sawaf
Chief Executive Officer

Auditor's report attached.

M. Zohdi Mejanni
Associated Accountant

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AL BADIA CEMENT COMPANY
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STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM SEPTEMBER 3, 2008 (ESTABLISHMENT DATE) UP TO
DECEMBER 31, 2009

	Share Capital SYP	Retained Losses SYP	Total SYP
Capital contributions	7,317,150,490	-	7,317,150,490
Loss for the period	-	(360,135,545)	(360,135,545)
Other comprehensive income	-	-	-
Balance at December 31, 2009	<u>7,317,150,490</u>	<u>(360,135,545)</u>	<u>6,957,014,945</u>

(The notes on pages 7 to 26 are an integral part of these financial statements)

Emad Abdul Kader Al Muhaidib
Chairman

Khaled Bassam Al Sawaf
Chief Executive Officer

Auditor's report attached.

M. Zohdi Mejanni
Associated Accountant

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AL BADIA CEMENT COMPANY
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STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM SEPTEMBER 3, 2008 (ESTABLISHMENT DATE) UP TO
DECEMBER 31, 2009

	<u>Note</u>	<u>SYP</u>
OPERATING ACTIVITIES		
Loss for the period		(360,135,545)
Adjustments for:		
Depreciation	6	6,659,068
Amortization of intangible assets	7	211,980
Gain on sale of property, plant and equipment		(53,644)
Stamp duty fees and local administrative municipal surcharges	15	<u>12,810,000</u>
Operating (loss) profit before working capital changes		(340,508,141)
Changes in working capital		
Change in advances to contractors	10	(1,909,999,912)
Change in debtors and other debit balances	23	(33,070,538)
Change in other payables and accrued expenses	23	10,704,057
Change in other non-current assets	8	<u>(45,700,000)</u>
Net cash used in operating activities		<u>(2,318,574,534)</u>
INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment		700,000
Acquisition of property, plant and equipment	23	(4,568,185,794)
Additions to intangible assets	23	<u>(14,323,657)</u>
Net cash used in investing activities		<u>(4,581,809,451)</u>
FINANCING ACTIVITIES		
Capital contributions	12	7,317,150,490
Financing from related parties	23	<u>151,706,886</u>
Net cash from financing activities		<u>7,468,857,376</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		568,473,391
CASH AND CASH EQUIVALENTS, BEGINNING		<u>-</u>
CASH AND CASH EQUIVALENTS, END	11	<u>568,473,391</u>

(The notes on pages 7 to 26 are an integral part of these financial statements)

Emad Abdul Kader Al Muhaidib
Chairman

Khaled Bassam Al Sawaf
Chief Executive Officer

Auditor's report attached.

M. Zohdi Mejanni
Associated Accountant

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AL BADIA CEMENT COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM SEPTEMBER 3, 2008 (ESTABLISHMENT DATE) UP TO
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1. REPORTING ENTITY

Al Badia Cement Company is a joint stock company established by Decree No. (2465) dated June 1, 2006 in accordance with the Syrian Investment Law No. 10 of the year 1991 and its amendments, which exempts the Company from income tax for a period of five years commencing from the date of production or investment. The Company was registered under Damascus Commercial Registry No. (8593) on September 3, 2009.

The Company's duration is 25 years starting from September 24, 2007. As at December 31, 2009, the Company have not commenced its operations.

The Company's objective is to establish and invest in Portland normal and black cement project and import all necessary requisites for production, associating in similar or complementary projects, acquire any required rights and franchise for the Company and import transportation equipments.

On August 28, 2008, the constituent assembly held a meeting and the first Board of Directors were elected.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements were approved for issue by the Board of Directors on March 23, 2010.

b. Basis of measurement

The financial statements have been prepared according to the historical cost basis.

c. Functional and presentation currency

These financial statements are presented in Syrian Pound (SYP), which is the Company's functional currency.

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Accordingly, actual results may differ from these estimates.

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Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in any future periods affected. Information about significant areas of estimation, uncertainty and critical adjustments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note nos. 3.d, 3.f, 4 and 20.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Applicable new standards, amendments and interpretations

i. Effective from January 1, 2009

- During the period, the Company has decided to adopt Revised IAS 1 as issued by the International Accounting Standards Board (IASB) revised in May 2008 which is mandatory for financial reporting periods beginning January 1, 2009. Revised IAS 1 introduced the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented either in a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The Company has decided to present a single statement approach for presenting total comprehensive income.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. This will have no impact on the Company as its accounting policy in this regard requires capitalization of borrowing costs.

ii. Not yet effective for the year ended December 31, 2009 and not yet adopted

Management has assessed the impact of the new standards, amendments to standards and interpretations, and concluded that they are either not relevant to the Company or their impact is limited to the disclosures and presentation requirement in the financial statements except for IFRS 9 as stated below.

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IFRS 9, Financial Instruments is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard can be adopted early prospectively, and prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 1, 2012.

b. Foreign currency transactions

The Company maintains its books of account in Syrian Pound (the functional currency). Transactions denominated in other currencies are translated using the exchange rates prevailing at the transactions dates. Monetary assets and liabilities denominated in other currencies at the reporting date are re-translated into the functional currency using the exchange rate prevailing at that date. Any resulting exchange gains or losses are recognized in the statement of comprehensive income.

c. Financial instruments

i. Non-derivative financial instruments

The Company's financial instruments are non-derivative and comprise advances to contractors, debtors and debit balances (excluding prepayments), cash and cash equivalents, due to suppliers and contractors, due to related parties, and other payables and accrued expenses.

Non-derivative financial instruments are recognized initially at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Subsequent to initial recognition, non-derivative financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

Cash and cash equivalents consist of cash on hand, bank balances and short-term deposits with original maturity of three months or less.

ii. Ordinary share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity.

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d. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any (refer to accounting policy 3.f). Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation is charged to the statement of comprehensive income on a straight-line method over the estimated useful life of the asset. Assets useful lives are as follows:

Vehicles	5 years
Computers	3 years
Furniture and office equipment	5 years
Site wells	25 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

e. Intangible assets

▪ Excavation and geological works

The costs of excavation and geological works in setting up the quarries that the Company will be using in production are recognized as intangible assets. They are amortized using the straight-line method over the useful life of these assets estimated by the Company to be twenty five years starting from the date the factory is operating.

▪ Software

Software which cannot be defined as integral part of the hardware is classified under intangible assets and is measured at cost less amortization and accumulated impairment losses, if any (refer to accounting policy 3.f). Amortization is charged to the statement of comprehensive income using the straight-line method over the estimated useful life of the software (i.e. four years) from the date they are available for use.

f. Impairment of assets

i. Financial assets

The Company's financial assets are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

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An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

ii. Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market price of the monetary unit and risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

g. *Pre-establishment expenses*

Pre-establishment expenses are charged to the statement of comprehensive income in the period in which they are incurred.

h. *Advances to contractors, and debtors and other debit balances*

Advances to contractors, and debtors and other debit balances are stated at their amortized costs less impairment, if any.

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- i. Due to suppliers and contractors, due to related parties, and other payables and accrued expenses*

Due to suppliers and contractors, due to related parties, and other payables and accrued expenses are stated at their amortized costs at the date of financial statements.

- j. Borrowing costs*

Borrowing costs are capitalized when such costs relates directly to an acquisition of a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are charged to the financing cost account in the statement of comprehensive income during the period they are incurred.

- k. Provisions*

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

- l. Taxation*

The Company is exempt from income tax (note no 18).

Income tax, when the tax exemption period expires, is calculated in accordance with the prevailing laws and regulations in the Syrian Arab Republic and their amendments. Due to the nature of Syrian tax computing method, applying International Accounting Standards Income Taxes will not generate deferred tax liabilities. Any deferred tax assets that might be generated by applying the standard, would not be recognized unless there is sufficient evidence that those assets will be realized in the near future.

- m. End of service benefits*

The Company is registered with the Syrian General Organization for Social Insurance and pays the contributions on behalf of its employees. The Company's obligations toward its employees for the end of service benefits are limited to the payment of the above mentioned contributions.

The payments for social security during the period are considered down payments for the services rendered by employees in the same period.

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n. Project under construction

The costs of project under construction consist of the contract value, and directly attributable costs of developing and bringing the project assets to the location and condition necessary for them to be capable of operating in the manner intended by management. These will be transferred to the appropriate property, plant and equipment categories when these assets attain their intended use. The carrying value of project under progress are reviewed for impairment when events or changes in circumstances indicate the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

o. Cash flow reporting

The Company uses the indirect method to present cash flows, whereby net profit or loss is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows, to determine net cash flows from operating activities.

4. DETERMINATION OF FAIR VALUES

i. Advances to contractors and debtors and other debit balances

The fair value of advances to contractors and debtors and other debit balances is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

ii. Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

5. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Company's exposure to credit risk, liquidity risk and market risk, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

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The Company's management has the overall responsibility for the establishment and oversight of the Company's risk management framework.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from advance payments to contractors and payments to certain debtors.

The Company monitors exposure to credit risk on an on-going basis.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments, if any.

The Company's management manages the market risk to control this risk to an acceptable level.

a. Currency risk

This represents the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign currency risk on the contracts with foreign contractors. The currencies giving to this risk are the US Dollar and Euro.

b. Interest rate risk

The Company is exposed to interest rate risk on the short-term time deposits. The Company reviews the interest rate risk on a quarterly basis.

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Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Capital management

To safeguard the Company's ability to continue as a going concern in cement industry so that it can continue to provide benefits for Shareholders and other beneficiaries.

To set the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of underlying assets.

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6. PROPERTY, PLANT AND EQUIPMENT

	<u>Vehicles SYP</u>	<u>Computers SYP</u>	<u>Furniture and office equipment SYP</u>	<u>Site wells SYP</u>	<u>Projects Under construction* SYP</u>	<u>Total SYP</u>
<u>Cost</u>						
Balance at Sep. 3, 2008	-	-	-	-	-	-
Additions	21,061,820	3,124,822	2,933,728	23,926,551	7,195,962,117	7,247,009,038
Disposals	(1,200,000)	-	-	-	-	(1,200,000)
Balance at Dec. 31, 2009	<u>19,861,820</u>	<u>3,124,822</u>	<u>2,933,728</u>	<u>23,926,551</u>	<u>7,195,962,117</u>	<u>7,245,809,038</u>
<u>Depreciation</u>						
Balance at Sep. 3, 2008	-	-	-	-	-	-
Depreciation for the period	4,598,304	385,712	406,578	1,268,474	-	6,659,068
Disposals	(553,644)	-	-	-	-	(553,644)
Balance at Dec. 31, 2009	<u>4,044,660</u>	<u>385,712</u>	<u>406,578</u>	<u>1,268,474</u>	<u>-</u>	<u>6,105,424</u>
<u>Carrying amounts</u>						
At Dec. 31, 2009	<u>15,817,160</u>	<u>2,739,110</u>	<u>2,527,150</u>	<u>22,658,077</u>	<u>7,195,962,117</u>	<u>7,239,703,614</u>

SYP

***Projects under construction**

The value of work executed by consultant (CPS)	167,497,799
The value of work executed on site by contractor (CBMI), custom fees and direct expenses	6,911,246,404
Permits expenses and construction work registration	29,280,376
Technical consulting fees and equipments	47,195,355
Insurance on works on the site	<u>40,742,183</u>
	<u>7,195,962,117</u>

7. INTANGIBLE ASSTES

	<u>Excavation and geological works SYP</u>	<u>Softwares SYP</u>	<u>Total SYP</u>
<u>Cost</u>			
Balance as of Sep. 3, 2008	-	-	-
Acquisitions	<u>27,941,940</u>	<u>1,284,198</u>	<u>29,226,138</u>
Balance as of Dec. 31, 2009	<u>27,941,940</u>	<u>1,284,198</u>	<u>29,226,138</u>
<u>Amortization</u>			
Balance as of Sep. 3, 2008	-	-	-
Amortization for the period	<u>-</u>	<u>211,980</u>	<u>211,980</u>
Balance as of Dec. 31, 2009	<u>-</u>	<u>211,980</u>	<u>211,980</u>
	<u>27,941,940</u>	<u>1,072,218</u>	<u>29,014,158</u>

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8. OTHER NON-CURRENT ASSETS

An amount of SYP 45,700,000 as of December 31, 2009, which is equivalent to USD 1,000,000, is deposited with the Central Bank of Syria as a performance guarantee for the establishment of the Company's factory. This amount is to be paid back after the completion of construction work and commencement of commercial operations. Construction work of the factory is expected to last for more than a year.

9. DEBTORS AND OTHER DEBIT BALANCES

	<u>SYP</u>
Due from Chinese Contractor (CBMI)	31,802,996
Employees' advances	112,763
Deposits with others	4,051,000
Other debit balances	<u>5,719,326</u>
	41,686,085
Prepaid expenses	<u>10,155,076</u>
	<u>51,841,161</u>

10. ADVANCES TO CONTRACTORS

This represents amounts paid to the Chinese contractor (CBMI) and is expected to be recovered within one year.

11. CASH AND CASH EQUIVALENTS

	<u>SYP</u>
Cash on hand	802,925
Bank current accounts – SYP	9,524,179
Bank current accounts – USD	4,437,532
Short-term time deposits – SYP	250,077,044
Short-term time deposits – Other currencies	<u>303,631,711</u>
	<u>568,473,391</u>

The above short-term time deposits mature in less than three (3) months.

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12. SHARE CAPITAL

The capital of the Company was set at SYP 12,200,000,000 divided into 24,400,000 shares of SYP 500 each. The establishers subscribed 85% of the capital valuing SYP 10,370,000,000 and 15% of shares valuing SYP 1,830,000,000 were issued to public. The statement of the capital subscribed and paid as of December 31, 2009 are as follows:

<u>Name of shareholder</u>	<u>Nationality</u>	<u>Percentage</u>	<u>Number of Shares</u>	<u>Value of subscribed shares SYP</u>	<u>Paid-in Capital</u>		
					<u>40% first payment SYP</u>	<u>20% second and third payments SYP</u>	<u>Total as of December 2009 SYP</u>
<i>Establishers</i>							
Al Mohaidab Holding Co.	Saudi	29.5%	7,198,000	3,599,000,000	1,439,600,000	719,800,000	2,159,400,000
Sir Invest Holding Co.	Dutch	26.0%	6,344,000	3,172,000,000	1,268,800,000	634,400,000	1,903,200,000
Menaf Co, SAS	French	12.0%	2,928,000	1,464,000,000	585,600,000	292,800,000	878,400,000
Ziad Saad Al Dain Al Zaaem	Saudi	7.5%	1,830,000	915,000,000	366,000,000	183,000,000	549,000,000
Alfozan Holding Co.	Saudi	5.0%	1,220,000	610,000,000	244,000,000	122,000,000	366,000,000
Nizar Jameel Assaad	Syrian	4.0%	976,000	488,000,000	195,200,000	97,600,000	292,800,000
Mahmoud Ahmad Zuhair Shabarek	Syrian	1.0%	244,000	122,000,000	48,800,000	24,400,000	73,200,000
		85.0%	20,740,000	10,370,000,000	4,148,000,000	2,074,000,000	6,222,000,000
<i>Public Subscription</i>		15.0%	3,660,000	1,830,000,000	732,000,000	363,150,490	1,095,150,490
Total		100.0%	24,400,000	12,200,000,000	4,880,000,000	2,437,150,490	7,317,150,490

The Company published a call for the second and third payments of capital (20%) (SYP 100 for each share) where the total amount collected till December 31, 2009 amounting to SYP 2,437,150,490. On January 25, 2010, the second and third payments have been fully collected.

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13. DUE TO SUPPLIERS AND CONTRACTORS

	<u>SYP</u>
Chinese contractor (CBMI)	2,597,810,121
United Insurance Company	8,116,466
CPS	4,864,867
Others	<u>530,653</u>
	<u><u>2,611,322,107</u></u>

14. RELATED PARTY TRANSACTIONS

14.1 The Company's related parties include shareholders and members of the executive management of the Company. Related party transactions represent amounts due to the establishers for financing for the Company's establishment expenses.

The nature of the related party relationships for those related parties with whom the Company entered into transactions during the period or has significant balance outstanding as of December 31, 2009 are detailed below:

<u>Related party</u>	<u>Nature of relationship</u>	<u>Nature of transaction</u>	Transactions during the period from Sep. 3, 2008 up to Dec. 31, 2009	Balance
			<u>SYP</u>	<u>SYP</u>
Al Mohaidab Holding Co.	Shareholder	Financing	80,958,380	80,958,380
Sir Invest Holding Co.	Shareholder	Financing	71,353,108	71,353,108
Ziad Saad Al Dain Al Zaaem	Shareholder	Financing	20,829,194	20,829,194
Alfozan Holding Co	Shareholder	Financing	14,211,831	14,211,831
Menaf Co, SAS	Shareholder	Financing	32,871,920	32,871,920
Nezar Jameel Assaad	Shareholder	Financing	11,108,851	11,108,851
Mahmoud Ahmad Zuhair Shabarek	Shareholder	Financing	<u>2,777,220</u>	<u>2,777,220</u>
			<u><u>234,110,504</u></u>	<u><u>234,110,504</u></u>

14.2 Executive management's compensations

The compensations of the executive management, which consist of salaries, and other short term benefits, during the period ended December 31, 2009 amount to SYP 5,955,014. SYP 1,786,504 has been charged to general and administrative expenses, and the remaining amount of SYP 4,168,510 has been charged to projects under construction.

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15. OTHER PAYABLES AND ACCRUED EXPENSES

	<u>SYP</u>
Withholding tax (CBMI)	18,770,623
Stamp duty fees in addition to local administrative municipal surcharges	12,810,000
Accrued expenses	8,850,357
Other credit balances	<u>1,853,700</u>
	<u>42,284,680</u>

16. ADMINISTRATIVE EXPENSES

	Period from September 3, 2008 to December 31, 2009 <u>SYP</u>
Stock registration expenses	36,600,000
Stamp duty fees and local administrative municipal surcharges	12,810,000
Consulting and professional fees	61,583,234
Salaries and wages	7,089,363
Depreciation	6,659,068
Advertising and publishing	4,516,120
Other stamps and fees	3,577,952
Banking charges	3,161,632
Rent expenses	2,229,286
Legal fees	1,836,170
Maintenance, repairs and car insurance	1,064,449
Reception and entertainment	960,243
Telecommunications expenses	579,422
Amortization	211,980
Work facilitation expenses	127,735
Water and electricity expenses	95,171
Other expenses	<u>5,094,724</u>
	<u>148,196,549</u>

RIGHT OF PROJECT SITES UTILIZATION

On June 23, 2008 the Company and “The General Geology and Mineral Wealth Establishment – The Ministry of Petroleum and Mineral Resources” in the Syrian Arab Republic signed the contract No (4/3) to invest a parcel of land with a total area of 25,180,000 square meters from an abandoned land assigned to “The General Geology and Mineral Wealth Establishment” in Damascus country side, Abu Al Shamat district.

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In addition, a land was rented under contracts No. (4) and (4/1) dated September 19, 2006 reaching the invested area of land to 31,600,000 square meters to erect, invest and operate a factory to produce the black Portland cement (from quarries to packing, which includes the quarries of raw materials and the land between the quarries and the factory) and all the requirements of setting up the project.

The area of land has been rented for SYP 100 for every 1000 square meters annually (i.e. SYP 3,160,000 gross annual rent for the period of the contract, which is 50 years). Amounts paid have been included in general and administrative expenses.

17. PRE-ESTABLISHMENT EXPENSES

The following are the details of pre-establishment expenses recognized in statement of comprehensive income:

	Period from Sep. 3, 2008 to Dec. 31, 2009 SYP
Legal fees	28,811,041
Consulting and professional fees	18,864,757
Rents	10,831,001
Salaries and other employees' expenses	16,496,206
Maintenance and repairs	1,216,643
Telephone and faxes	615,969
Advertising expenses	187,950
Cars expenses	827,062
Other expenses	5,974,896
Credit interest during pre-establishment period	(1,332,415)
	<u>82,493,110</u>

18. TAXATION

Al Badia Cement Company (JSC) is exempted from income tax for a period of five years commencing from date of production, which has not started yet, in accordance with the relevant provisions of the Investment Law No. 10 for the year 1991, and its amendments.

19. PAYMENT OF OPERATING LEASES CONTRACT

Minimum lease commitments on account of non-cancellable operating leases are as follows:

	2009 SYP
A period not exceeding one year	3,160,000
A period from one year to five	15,800,000
A period exceeding five years	<u>134,300,000</u>
	<u>153,260,000</u>

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20. FINANCIAL INSTRUMENTS

20.1 Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit at the reporting date is as follows:

	<u>Note</u>	<u>Carrying amount</u> <u>SYP</u>
Cash and cash equivalents	11	568,473,391
Debtors and other debit balances (excluding prepayments)	9	41,686,085
Advances to contractors	10	<u>1,909,999,912</u>
		<u>2,520,159,388</u>

The maximum exposure to credit risk from debtors and other debit balances at the reporting date are in the Syrian Arab Republic, while the credit risk related to supplier and contractors advanced payments resulting from transaction inside and outside Syrian Arab Republic.

No indications of impairment have been identified or losses recognized in the current period.

20.2 Liquidity risk

The Company's financial liabilities at the reporting date are due to suppliers, due to related parties, other payables and accrued expenses.

The following are the contractual maturity dates of the financial liabilities as of December 31, 2009.

	<u>Carrying</u> <u>amounts</u> <u>SYP</u>	<u>Contractual</u> <u>Cash flows</u> <u>SYP</u>	<u>6 months</u> <u>or less</u> <u>SYP</u>
Due to suppliers and contractors	2,611,322,107	(2,611,322,107)	2,611,322,107
Due to related parties	234,110,504	(234,110,504)	234,110,504
Other payables and accrued expenses	<u>42,284,680</u>	<u>(42,284,680)</u>	<u>42,284,680</u>
	<u>2,887,717,291</u>	<u>(2,887,717,291)</u>	<u>2,887,717,291</u>

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20.3 Interest rate risk

The Company does not hold any variable rate debt, whose repayment terms are subject to changes in the market rate of interest.

20.4 Foreign currency risk

As of December 31, 2009, the Company's assets and liabilities denominated in foreign currencies amounted to the equivalent of SYP 2,841,413,901 and SYP 2,841,413,901 respectively. The Company's net foreign currency exposure is as follows:

	<u>In USD</u>	<u>In EURO</u>
Assets	32,978,798	11,405,646
Liabilities	<u>(50,733,623)</u>	<u>(7,804,575)</u>
Net (deficit) / surplus	<u>(17,754,825)</u>	<u> 3,601,071</u>

The following are the significant exchange rates applied during the period:

	<u>Reporting date</u> <u>spot rate</u>	<u>Average rate for the period</u> <u>from Sep. 3, 2008</u> <u>up to Dec. 31, 2009</u>
USD 1	45.70	45.60
EURO 1	65.90	65.00

Sensitivity Analysis

The table below indicates the extent to which the Company was exposed to currency risk at 31 December 2009 on its foreign currency positions. The analysis is performed for the effect of reasonable possible movement of the currency rate against the SYP with all other variables held constant, on the statement of comprehensive income. A negative amount in the table reflects a potential net reduction in income, while a positive amount reflects a net potential increase. The sensitivity analysis does not take into account actions by the Company that might be taken to mitigate the effect of such changes.

<u>Currency</u>	<u>Reporting date</u> <u>Increase/Decrease</u> <u>In currency rate in %</u>	<u>Effect on</u>		
			<u>Profit</u>	<u>Equity</u>
USD	± 10 %	±	81,139,550	(81,139,550)
EURO	± 10 %	±	23,731,058	(23,731,058)

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20.5 Cash flow risk

None of the Company's receivables are subject to terms which might affect the nominal amount due and collectible.

20.6 Fair value of financial instruments

The financial instruments comprise of financial assets and financial liabilities.

Financial assets and liabilities consist of advances to contractors, debtors and other debit balances, cash and cash equivalents, due to suppliers and contractors and other payables and accrued expenses.

The fair value of recognized financial instruments at the financial statements' date approximates their carrying value.

21. LOSS PER SHARE

The loss per share was calculated using the weighted average for the outstanding shares during the period as below:

	Period from Sep. 3, 2009 to Dec. 31, 2009
Loss for the period	SYP (<u>360,135,545</u>)
*Weighted average no. of shares for the period	<u>14,635,120</u>
Loss per share – SYP/share	(<u>24.61</u>)

* Weighted average No. of shares was calculated by multiplying the number of shares by the percentage of paid amount:
24,400,000 x 59.98% = 14,635,120 share

22. COMMITMENTS

In addition to the amounts presented in the statement of financial position, the Company has the following other commitments as of December 31, 2009:

	<u>Commitment Amount</u>		<u>Payments during the period</u>		<u>Outstanding as of December 31, 2009</u>	
	<u>In USD</u>	<u>In EUR</u>	<u>In USD</u>	<u>In EUR</u>	<u>In USD</u>	<u>In EUR</u>
Contract with CBMI to import production line on turnkey basis	239,390,000	47,308,809	109,682,165	16,298,405	129,707,835	31,010,404
Consulting contract with CPS Company to oversee the CBMI contract	-	3,625,250	-	2,134,128	-	1,491,122

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23. NON-CASH TRANSACTIONS

For the purpose of preparing the statement of cash flows, the effects of following non-cash transactions during the period were excluded to coincide between the statement of cash flows and the cash basis requirements which is the basis the statement of cash flows has been prepared.

	<u>Projects under construction SYP</u>	<u>Debtors and Other Debit Balances SYP</u>	<u>Other Payables and Accrued Expenses SYP</u>	<u>Intangible Assets SYP</u>	<u>Due to Related Parties SYP</u>
Financial position balances as of December 31, 2009	(7,195,962,117)	(51,841,161)	42,284,680	(29,226,138)	234,110,504
<u>Add (deduct) non-cash transactions:</u>					
Due to suppliers and contractors	2,611,322,107	18,770,623	(18,770,623)	-	-
Stamp duty fees in addition to municipal surcharges	-	-	(12,810,000)	-	-
Due to related parties (Establishers)	<u>67,501,137</u>	<u>-</u>	<u>-</u>	<u>14,902,481</u>	<u>(82,403,618)</u>
	<u>(4,517,138,873)</u>	<u>(33,070,538)</u>	<u>10,704,057</u>	<u>(14,323,657)</u>	<u>151,706,886</u>

24. COMPARATIVE FIGURES

The period from September 3, 2008 up to December 31, 2009 represents the initial period of the Company's operations. Accordingly, there are no comparative figures presented in these financial statements.

25. GOING CONCERN

As of December 31 2009, the company's current liabilities exceed its current assets by SYP 357,402,827. Earlier, the Company requested the main project contractor to postpone up to March 2010 the payments of the invoices related to months of November and December 2009 amounting to US\$ 29,116,650 and EUR 3,386,884 (equivalent to SYP 1,553,860,417) which were due in January and February 2010. Also, the Company has decided to finance the project mostly by share capital of US\$ 260 million (equivalent to SYP 12.2 billion) and partial capital contributions have been made accordingly. Specifically, 60% of the capital has been already paid as of January 2010 and the remaining 40% will be paid in two equal installments – in August 2010 and August 2011 subject to the board of directors' final approval. Additionally, the Company has a pending loan request for an amount of US\$ 100,000,000 from an Islamic financing fund based in Saudi Arabia which was approved on December 14, 2009 and expected to be obtained in March 2010.

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Thus, based on the above, management believes that the liquidity shortage will be resolved soon, and the Company will continue to operate as a going concern in the foreseeable future.
