




## Annual Report 2010



اسمنت البادية (ش.م.م.)  
AL BADIA CEMENT (JSC)

**Annual Report 2010 Al Badia Cement**  
**for the period from 01.01.2010 until 31.12.2010**





## Index

Board Members  
Executive Management  
Company's Organization Chart  
Board Report for the year 2010  
Financial Statements



**Al Badia Cement ... QUALITY TO TRUST**

### Executive Management

Mr. Khaled Al Sawaf

Chief Executive Officer

### Main Sections and Departments

#### HSE Department

Internal Audit

#### Administrative Sector

Human Resources Department

Administrative Affairs Department

Public Relations

Investor Relations

#### Financial Sector

Financial Department

Information Technology Department

#### Technical Sector

Technical Department

Production Department

Maintenance Department

Quality Control Department

Quarry Department

Commercial Sector

Commercial Relations Department

Customer Relationship Department

Procurement, Supply and Stores Department

### Board of Directors

Mr. Emad Abdul Kader Al Muhaidib

Chairman

Dr. Fouad F. Al Saleh

Vice-Chairman

Eng. Raed I. Al Mudaiheem

Member

Mr. Musaab S. Al Muhaidib

Member

Mr. Giovanni Maggiora

Member

Mr. Ziad Al Zaim

Member

Mr. Nizar J. Al Assaad

Member

### Legal Consultant

Mr. Osama Karawani

Karawani Law Firm

### Auditor

Mr. Naseer Tamimi

Deloitte & Touche



## Board of Directors and CEO

### Mr. Emad Abdul Kader Al Muhaidib

Occupied a number of positions on various Boards of Directors at industrial and commercial companies in Saudi Arabia and abroad; among them is the Abdul Kader Al Muhaidib and Sons Company. Holder of a BA in Economy in 1979 from Riyadh University.

### Dr. Fouad F. Al Saleh

Holder of a PhD in Civil Engineering; has more than 30 years of experience in the fields of engineering and management in the industrial sector in the area of building materials. Worked as Co-professor in the Civil Engineering Department at King Saud University in Riyadh for 15 years.

### Mr. Musaab S. Al Muhaidib

Occupied a number of positions in Financial Analysis of share and financial markets. Currently occupies the position of General Director of the Al Muhaidib Company for Technical Equipment. Holder of a BA in Business Management, specialized in Financial Management, from Miami University in the U.S.

### Eng. Raed I. Al Mudaiheem

Holder of a Master's degree in Electrical Engineering, with more than 20 years of engineering and management experience. Worked in various engineering fields, such as water, energy, trade and the building materials industry, especially in the trade and industry of iron and cement; member of a number of Boards of Directors at industrial and commercial joint companies.

### Mr. Giovanni Maggiora

CFO for Italcementi, one of the world's largest producers of cement. Worked earlier as deputy Chief of Financial Affairs at Case New Holland Group, specialized in manufacturing of building materials and equipment. Holder of Master's degree in Business Management from Boccouli University.

### Mr. Ziad Al Zaim

Established and ran a number of companies and factories in the field of cotton ginning in a number of countries and in the field of cables in its various types in Saudi Arabia. Also established and ran a number of real estate companies in Syria and abroad. One of the founders of Syria Holding Company and founder of Al Zaim Holding Company. Certified in Cotton Sorting from the U.S.A

### Mr. Nizar J. Al Assaad

Founder and Chairman of the Leed Company for Trade and Servicing, specialized in construction works in the fields of oil and gas and power generation stations. The company is active in Syria as well as in a number of countries in the Middle East and North Africa. Has a number of other industrial projects in the field of alimentary oils and fodders. Holder of a BA in Civil Engineering from Damascus University in 1972.

### Mr. Khaled Al Sawaf

Has more than 16 years of work experience in the field of Industrial Projects Management, where he worked in the industrial refrigeration sector and contributed to the development of many products and solutions to serve the aspirations of the major international companies for refreshments and food industries. Established many factories in the Middle East and North Africa with a focus on creating work teams with high levels of performance and ability finalize financial and operational plans. Holder of a BSc in Business Administration with a Master's degree in Quality Management.



A man in a tank top and dark pants stands on the edge of a large, craggy rock formation. He is looking out over a vast, cloudy sky. The lighting is bright, suggesting a sunny day.

# Our Vision

To be a highly reputable company in our industry & the most preferred cement brand in the markets we serve.

**For our Customers**

We commit to make our product the best product for them.

**For our Society**

We commit to gain our society's respect through working on its development, sustainability, and renovation of its resources.

**For our Shareholders**

We look forward to become a successful investment for our investors in the field of our industry, through achievement of superior returns

**For our Employees**

We will enrich their lives and empower them professionally as well as personally.

**For our Suppliers**

We look forward to become their most preferred client by respecting agreement and sustainability of work in a fruitful way.

# Our Values

A photograph of two people climbing a steep, dark rock face. The person in the foreground is wearing a blue jacket and dark pants, reaching up towards the second climber. The second climber is higher up the rock, wearing dark clothing. The background shows a vast, mountainous landscape under a cloudy sky with a warm, golden light.

## Leadership

Initiative, Ambition, Responsibility, Continuous Challenge, Focus on Target

## Integrity

Openness, Transparency, Moral Commitment

## Team Spirit

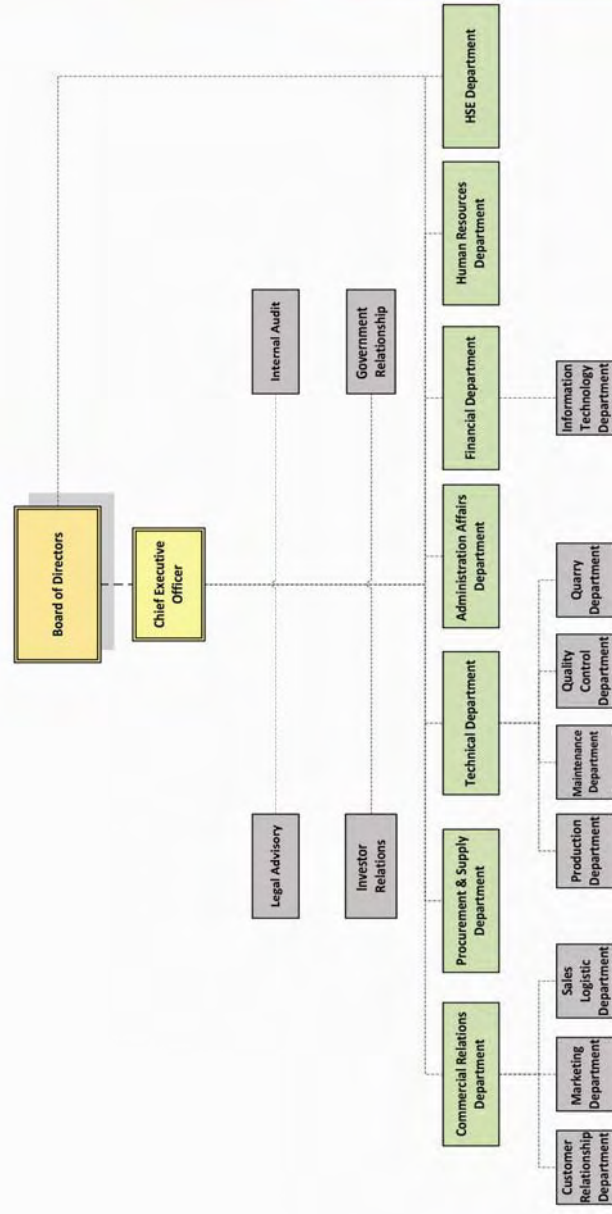
Trust, Cooperation, Continuation, Joint Targets

## Excellence

Quality, Development, Continuity, Exceeding Expectations



## Functional Organizational Chart





## Board of Directors Report for the year 2010

Dear Shareholders,

Clinker Production coincided in Al Badia Cement Plant with the end of 2010, through a project that contributed and will contribute in drawing the features of an industrial uprising that the Syrian private sector will witness. By means of an encouraging investment atmosphere and economic stability, Syria proved the possibility of proceeding for the coming years with steady steps towards development and increasing investments that would be reflected with great interest to our national economy.

Our project enjoyed success conditions due to its strategic location and the suitable circumstances for the Syrian cement industry, which is still in need of bridging the gap between local production and consumption. It also requires work on upgrading the product quality, while reducing the environmental impact as well as manufacturing cost, in coherence with the latest means and techniques adopted internationally. Here lies the importance of the Badia Cement, which had its first production line completed successfully with an annual capacity of more than 1,6 million tons of Portland cement, which will be put in the Syrian market during the first quarter of 2011, as well as many of the infrastructure needed for the second line and power station with a capacity of 46 MW.

Al Badia Cement registered a great achievement by completing the first phase of the project 40 days before the scheduled date and in conformity with the terms and conditions that had been contracted, as actual operation started on 23 December 2010 and achievements rates that exceeded the expected time plan to build the plant until the date of 31 December 2010. It is also a matter of pride for the company that up to the date of this report preparation the project has not witnessed any accidents or injuries resulting in death or partial or permanent disability for any of the staff and visitors at project sites, which confirms the company's serious keenness with regard to occupational safety and protection of whoever is present at its work sites.

Also the asphalt road has been completed, to link the factory site to main road, and work completed on opening the stone quarries, supply of raw materials, and different kinds of fuels as per plans. The company has outsourced the operation and maintenance of the power plant of the company to the Finnish manufacturer, and work started on the construction of housing colony, which is expected to be completed mid of 2011. Necessary studies were also prepared for the execution of the second-line which is identical to the first line in terms of design and is expected to start soon.

Al Badia Cement registered a great achievement by completing the first phase of the project 40 days before the scheduled date and in conformity with the terms and conditions that had been contracted, as actual operation started on 23 December 2010 and achievements rates that exceeded the expected time plan to build the plant until the date of 31 December 2010. It is also a matter of pride for the company that up to the date of this report preparation the project has not witnessed any accidents or injuries resulting in death or partial or permanent disability for any of the staff and visitors at project sites, which confirms the company's serious keenness with regard to occupational safety and protection of whoever is present at its work sites.

On the administrative and financial fronts, recruitment and training plan had been achieved according to the set plan, and job opportunities are available for a big number of local contractors and service providers. Work on ERP project started and is expected to be implemented mid of 2011, which will rehabilitate more than 100 users in various specialties to provide financial and accounting systems, quality control systems, warehouses as well as maintenance works in collaboration with Italcementi Group, which is considered the fifth largest global cement manufacturer.

The company renews its continuous commitment to provide the required administrative policies and training and control programs to ensure highest levels of occupational safety, and reduce the environmental impact in coherence with the executive regulation of the Syrian environmental authorities. We are very glad to witness the production beginning of our project, which is considered one of the greatest investment projects in the Syrian Arab Republic. Our hopes is that we would be able to achieve our targets in suffice the needs of the Syrian market of cement, create job opportunities, rehabilitate and train the national staff, in addition to contribution in the development of our society on all levels, so as to promote the highest levels of commitment and citizenship.

The company's Board of Directors confirms the authenticity of the financial statements of Al Badia Cement (JSC), presented in this report and authenticated by the company's auditor. The company also confirms that there are no substantial issues that might affect the continuity of the company during the next fiscal year, and confirms commitment to provide effective control system in the company.

Finally, we would like to thank whoever contributed to the success of this vital project and to the company's staff, wishing them ever success and progress.

**Khaled Al Sawaf**  
Chief Executive Officer

**Emad Al Muhaidib**  
Chairman

## Al Badia Cement (JSC)

Al Badia Cement is a Syrian Arab Joint Sector Company with an authorized capital of 12.2 billion Syrian Pounds (twelve billion and two million Syrian Pounds only), and paid capital 9.760 billion Syrian Pounds (nine billion, seven hundred and sixty million Syrian Pounds), licensed by Prime Ministry's resolution No. 2465 issued by Prime Minister on 01.06.2006 and its amendments, also according to the rules of the Syrian Commercial Law No. 149 for the year 1949, and covered under Investment Law No. 10 for the year 1991.

The company was established by a group of investors to construct Portland Cement Plant, with an annual capacity of 3.2 million ton, in addition to providing necessary infrastructure and utilities through a project, which is considered one of the greatest industrial and investment projects in the Syrian Arab Republic.

The company has outsourced the establishment of plant for one to the most important international companies involved with the cement factories under the supervision of consulting firms with high qualifications. Construction work started on the first-line with an annual production capacity of 1.6 million tons in September of 2008, and was completed in December of 2010, ahead of the set operation date at the highest levels of achievement and under the contracted conditions. The plant's basic equipment has been imported from international European companies to ensure the highest levels of cement quality and savings in energy use, along with decreasing environmental impacts so as to be within the local and international regulations and standards.

As of the first quarter of 2011 the company will meet the need of the local market of cement, as the company enjoys an important strategic location, whether in its being closer to the biggest cement markets in Syria, Damascus, Damascus countryside, middle and southern regions, or in its being close to the markets in the Republic of Iraq.

The company will provide 360 work opportunities, training and rehabilitation of national staff, who are highly trained and skillful. It would also provide the Syrian economy with a vital project that would contribute to the growth of the grand domestic production, in addition to creating hundreds of job opportunities, possible development to a number of local suppliers, contracts and service providers.



## Company's product and competitive position

Al Badia Cement is distinguished for its geographic location, being located in Abu Al Shamat, 85 Kms from the Syrian capital Damascus. It is a very important strategic location, due to its being close to the most important regions in Syria as of volume of cement consumption. Adra, public cement plant, is the only competitor, as it is located in the same geographical location, but does not pose a threat since the volume of its annual production covers only a fraction of the needs of this vital region of the Syrian economy.

Damascus, Damascus countryside, in addition to Deraa, Sweida and Homs are considered the main markets of Al Badia Cement Company. Al Badia Cement plant is located at around 200 Kms of the Syrian-Iraqi borders (Al Tanf), which is considered a basic feature for export to Iraq, a promising market in terms of cement consumption.

As of the first quarter of 2011 the company will offer high quality Portland Cement, both in bagged and in bulk. Our Portland Cement is cost-effective building material that meets all requirements for building and is used in most cases for construction of houses, tunnels, bridges and many other applications.

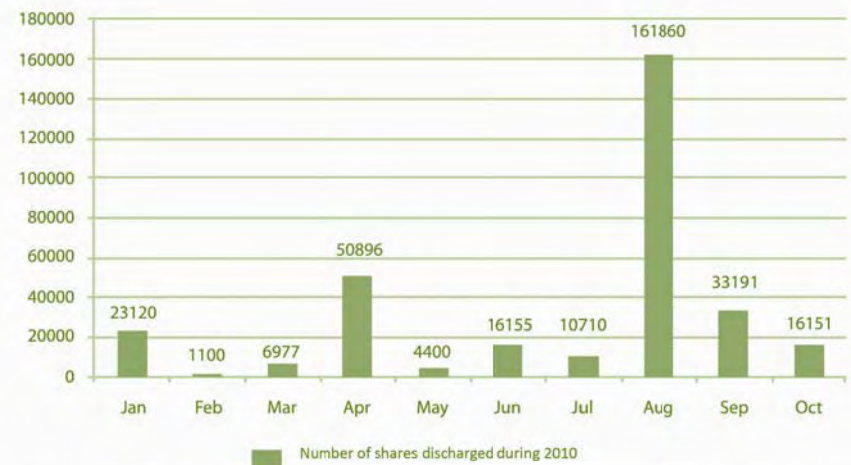
Our product of cement would be according to Syrian & European Standards





## Investor Relations Department

- The company's authorized capital is 12.2 billion Syrian Pounds, number of shares reached 24,400,000 (twenty four million and four hundred thousand shares only) at a nominal value of 500 Syrian Pounds for the share. 80% of the amount was settled, the rest would be settled by means of a Board of Directors decision.
- Except for some of the founders, none of the shareholders owns more than 5% of the company's capital.
- Investor Relations Department dedicated its efforts to communicate with the shareholders and provide with all available information, the company's updated information since the last quarter of 2008. The department also works continuously on updating the electronic register of shareholders and providing various services to them in coherence with the decisions and regulations issued by the Syrian Commission on Financial Markets & Securities.
- During 2010 Al Badia Cement Company launched a new website website, which contains a special link to the Investor Relations Department <http://www.albadiacement.com/ar/investor-relations>. The link contains a lot of important information for the shareholders.
- Investor Relations Department organized 166 discharge and transfer of shares during 2010. Total number of sold shares during last year reached 379,812.00 shares of the 15% IPO. The following statistics is based on this information:



Investor Relations Department welcomes all shareholders suggestions and notes, and provides services related to their contribution on the following address:

Damascus, Tanzem, Kafarsouseh, 86 Plaza Complex, Office No. 71  
 Phone 00963 11 211 85 62  
 E-mail: [investor.relations@albadiacement.com](mailto:investor.relations@albadiacement.com)

## Company's achievements during last year



### Occupational Safety & Environmental Protection

The company worked on ensuring the main contractor, who is constructing the plant, is committed to protecting the safety of the project's workers and reduction of the environmental impact of his activities. Up to the date of this report preparation the project has not witnessed any accidents or injuries resulting in death or partial or permanent disability for any of the staff and visitors at project site.

### Projects

Construction works of the cement plant, power generation plant were completed, the company has outsourced the operation and maintenance of the power plant to the Finnish manufacturer. Work on the power plant started in September 2010. Actual production of clinker at the cement plant started in December 2010.

Limestone and basalt quarries were outsourced to a specialized local company. Raw materials storage is proceeding according to the set timeline. The housing colony is outsourced to a local contracting company, work is expected to be completed in July 2011. The road connecting the plant's entrance to the main road is completed.

### Financing & Information Systems

The company provided necessary financing for the project through a bridging loan from Audi Bank. Work started on finalizing ERP system for the company's resources management. Computer network and information system is completed. The company adopted all policies and regulations that ensure commitment to the taxation system.

### Human Resources

65% of the recruitment plan has been achieved, special policies and systems were set for the HR Department. Agreement was signed for training and rehabilitation with the contracting company that constructed the plant, in order to guarantee highest levels of performance, and enabling national staff that would operate the plant. The company is committed to registering all employees with the General Establishment for Social Insurance, along with commitment to settle income taxes in accordance with the local taxation systems.

### Commercial Departments

The company provided all necessary supplies as per the operation plan of the first year of fuel, spare parts, raw materials, and consumables. Necessary systems and control were adopted for the sale, marketing, procurement and supply processes. The special targets related to the communication systems and introducing the company for the year 2010 were also implemented.

## Company's Strategy

Our strategy stems from our vision to be a highly reputable company and the most preferred cement brand in the markets we serve, so as to achieve benefits to the parties concerned with the success of our company and to achieve its objectives at all levels.

### Preferred Cement Brand

Constantly work to achieve the highest levels of product quality, and satisfaction of customers, active parties, and consumers, leading to the continuous growth of our products market share and growth of the capital stock revenue.

### Efficiency

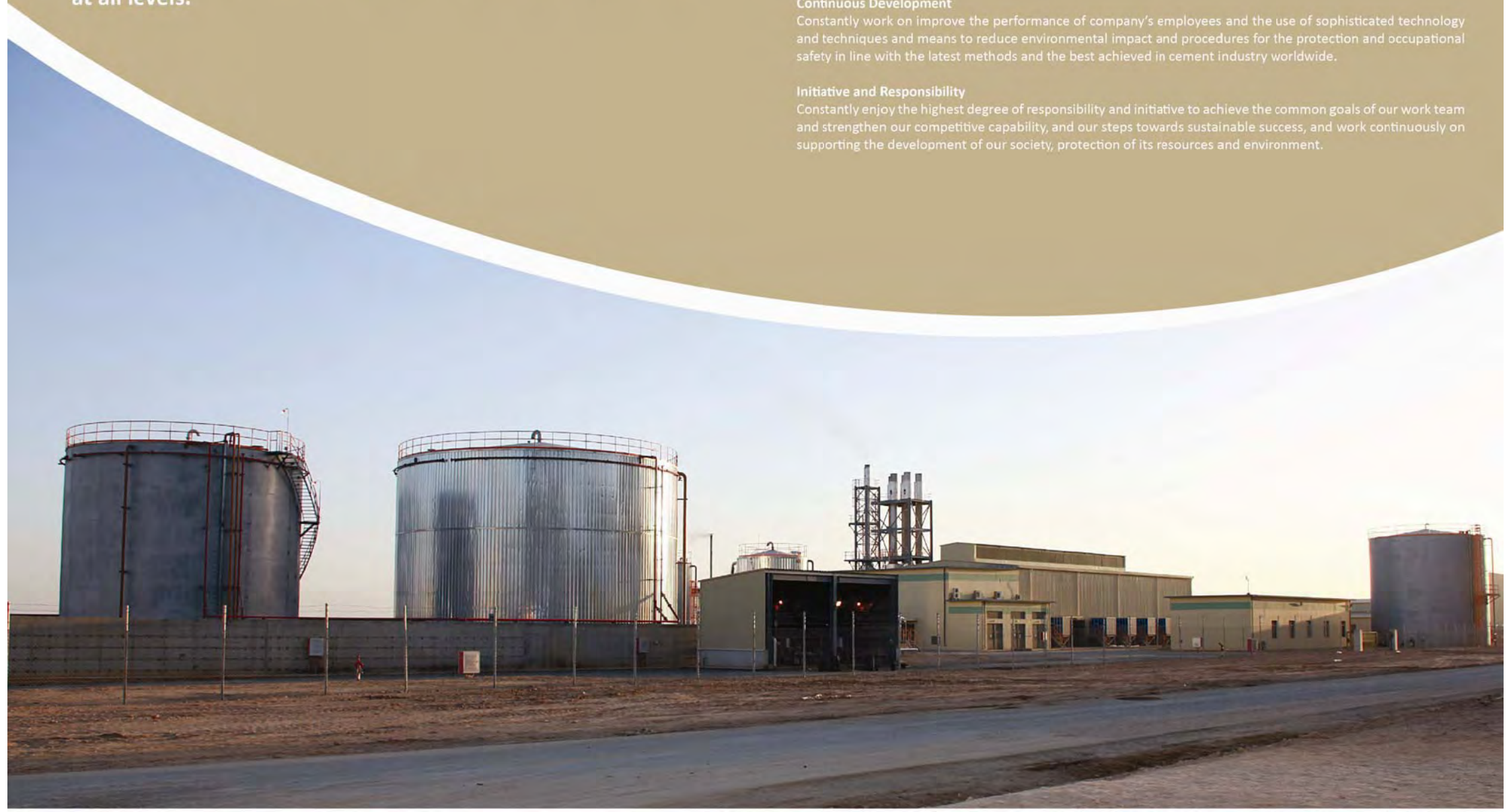
Constantly work to ensure optimal use of the company's resources with the continuous development of these sources and increase its productivity.

### Continuous Development

Constantly work on improve the performance of company's employees and the use of sophisticated technology and techniques and means to reduce environmental impact and procedures for the protection and occupational safety in line with the latest methods and the best achieved in cement industry worldwide.

### Initiative and Responsibility

Constantly enjoy the highest degree of responsibility and initiative to achieve the common goals of our work team and strengthen our competitive capability, and our steps towards sustainable success, and work continuously on supporting the development of our society, protection of its resources and environment.





## Company's Targets

Achieve satisfying revenues to the capital shares through achievement of production and marketing plans, and revenues of the first operation year. In addition to occupying a leading position in the Syrian cement industry.

Rehabilitate the national staff to occupy their administrative and operational tasks, within the highest levels of performance and efficiency, ensuring safety and sustainability of the company's resources as well as their optimal use.

Follow-up all projects under execution and work on completing and receiving them in accordance with the contracted specifications and terms and within the set dates.

Finalize the Enterprise Resource Planning project for the company's resources, and the special systems for the finance, procurement, warehouses, sales, operation, and human resources department through the international SAP system.

Proceed with executing the recruitment plan, training and rehabilitation programs, development of human resources policies and procedures, to ensure that the work team is active and distinguished.

Proceed with applying policies that would limit the environmental impact, and continue working with the highest criteria of occupational health and safety.

Proceed with responding to the shareholders inquiries, facilitate their necessary procedures and set plans to enlist with Damascus Securities Market.

Proceed with the implementation of the communication and introduction of the company and its targets, as well as activation of its social role.



## Sustainability

Sustainable development means meeting the present needs of people without endangering the ability of future generations to meet their own needs. In order to achieve the company's vision and mission we realize the importance of putting great emphasis on sustainability, to which we are committed. We contribute to all three pillars of sustainability.

In terms of Economy: We will meet the growing needs of the market by providing high-quality products and services and thus contribute to the development of the construction sector in our country. This will also create an opportunity for Syria to become a cement exporting country.

Additionally, we will be creating jobs and professional development opportunities in the country's labor market. We shall also contribute to the country's development as a taxpayer since the project is one of the greatest projects in Syria, and also through the relations and contracts that would be fruitful for our suppliers and national economy in general.

In terms of Environment, being an industry that has intensive use of raw materials and energy, we focus on preserving these sources. Our cement plant will meet all environmental criteria set by environmental authorities and will comply with the national and international norms regarding levels of emissions. The technology used in this plant corresponds to the highest standards used in the cement industry and will enable production of high-quality cement while economizing energy use and keeping environmental impacts to minimum levels. Noting that the company is committed to application criteria of Syrian Environmental Law No. 50 as well as the instructions of the European Law (EC/1/2008).

We will also use of alternative fuels and raw materials which will decrease dependence on fossil fuels and other non-renewable natural resources. In addition, through utilization of waste materials as alternative sources of energy and raw materials we will also contribute to solving the problems associated with society's growing waste production.

In terms of Social Responsibility We respect our employees and provide them not only with competitive remuneration for their responsible work but also with the opportunity for continuous professional development. We help them to obtain higher qualifications and provide them with education and training. Moreover, our recruitment policy strongly supports the notion of equal opportunity and does not discriminate on the basis of race, ethnicity, gender, religion, national origin, age or disability.

Health and safety is among our highest priorities right from the early stages of establishing our company. Our objective is to eliminate risk of accidents and injury among our employees as well as among third parties working on site. We have implemented management systems for health and safety which comply with the national and international regulations and provide preventive measures such as training and supervision of safety discipline.

We are committed to acting as a responsible corporate citizen. Above all, we will contribute to the well being of our society through the high-quality building materials we produce as well as through our vital economic role as an employer, taxpayer, exporter and business partner to our suppliers. In addition, we aim to be an active part of our community, supporting worthy projects and programs – educational, cultural, social – which contribute to the betterment of our society. We shall endeavor to make our time, our knowledge, our expertise and our resources available where they can be of humanitarian value.



## Some of the company's important events during last year

### Ordinary General Assembly Meeting on 29.04.2010

The Board of Directors report and financial statements of the company were reviewed and adopted for the company's first fiscal year. Special agreements concerning financing the project and due date of the 4th capital payment amount of 20% of the nominal share value were adopted.

### Shareholders capital payments

The company received the fourth capital payment amount of 20% of the nominal share value during the period 1-30 June 2010

### Public auction for the shares which the 4th capital payment was not settled

On 16.08.2010 all the shares of the shareholders who did not settle the fourth payment were sold by the announced public auction in the attendance of representatives from the Syrian Commission on Financial Markets & Securities. Auction was carried out for a total of seven thousand, five hundred, and thirty six shares. Sale prices for each share (80% already paid of its value) was between 710 – 800 Syrian Pounds.

### Recruitment Campus

On 17-18 August 2010 Human Resources Department in collaboration with Damascus University-Electrical & Mechanical Engineering Faculty held its first Campus Recruitment, aimed at supporting graduates and helping them to build their career path. It was followed with the second Campus Recruitment under the slogan «Don't get a job! Get a Career» on 10.10.2010

### Special Job Fair

The company participated on 25-27 September 2010 in the Special Job Fair for the employment of persons with disabilities in the private sector in consistent with the company's role in contribution to Social Responsibility, being one of the most important pillars of sustainability embraced by the company

### Visit of the Chinese Delegation to Al Badia Cement Plant

During the visit of the official delegation of China to Syria, headed by the President of the Chinese People's Political Consultative Conference (CPPCC), "Mr. Jia Qinglin"; the delegation visited Al Badia Cement plant on 31.10.2010. The plant was established by «Sinoma» a Chinese company represented by «CBMI» for building materials, which is the largest project constructed in Syria by a Chinese company.

### «Appreciation Certificate» from Dumair Municipality

Dumair Municipality Council granted Al Badia Cement an Appreciation Certificate on 08.12.2010 for the efforts exerted and continuous cooperation with the council.

### Training for secured operating program

The company signed in December 2010 an agreement to implement «Training for Secured Operating Program» in collaboration with the General Commission for Recruitment and Projects Development of the Ministry of Labour and Social Affairs.



### **First Clinker production of Al Badia Cement**

Upon completion of Al Badia Cement plant construction, first kiln firing was on 23.12.2010 and first clinker production was on December 29th 2010.

## **Privileges and remunerations of the Board of Directors members, top management personnel and auditor**

In compliance of the seventh article of the disclose system and instruction under the supervision of the Syrian Commission for Financial Markets and Securities No. 3943 issued on 28.08.2006 which stipulates the necessity of disclosing the privileges and remunerations of the chairman and board members in their report. It is worth indicating that the chairman and board members including the board members residing abroad, did not receive any compensations, remunerations, privileges, travel and residence compensation for their attending the board meetings or running the company's affairs, during 2010.

With respect to the privileges and remunerations of the top management personnel it is represented in wages, fees, salaries, bonuses and travel expenses they get, the total of these amounts is included under administrative fees item (please refer to the financial statements).

With respect to the fees of the company's auditor, Deloitte & Touche, the fees have been set at an amount of 24,000,000 USD (twenty four thousand US Dollars only) for performing an audit on the company's accounts during the financial year ending on 31.12.2010.





## Reliance on certain supplier and/or main clients

Al Badia Cement relied on the Chinese company CBMI Construction Co. under Sinoma Group – China National Building Material Equipment Corp. Ltd. as a main contractor. This company represents the biggest dealing in the construction and supply works field during 2010. The work included engineering design, supplies and construction. The volume of dealing with the main contractor was clarified in details in the financial report. As for the sales and clients, up to the date of 31.12.2010 Al Badia Cement has not started with the sales yet.





## **Al Badia Cement (JSC)**

### **Plant Address:**

Abu al shamat, Damascus Countryside , Syria

### **Head Office Address:**

86 Plaza Center, Office No. 71

Tanzem Kafarsouseh

P.O. Box 34330

Damascus, Syria

Tel +963 11 211 8562

Fax +963 11 2140095

[www.albadiacement.com](http://www.albadiacement.com)

# Financial Statements



# Deloitte.

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www.deloitte.com

## INDEPENDENT AUDITOR'S REPORT

DM 38-81037

To the Shareholders  
Al Badia Cement Company (Joint Stock Company)  
Damascus, Syria

We have audited the accompanying financial statements of Al Badia Cement Company (Joint Stock Company), which comprise the statement of financial position as at December 31, 2010, statement of comprehensive income, statement of changes in equity and statement of 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**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **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 ethical requirements and plan and perform the audit to obtain reasonable assurance about whether 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 company'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 company'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.

### **Opinion**

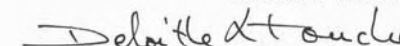
In our opinion, the financial statements present fairly, in all material respects, the financial position of Al Badia Cement (Joint Stock Company) as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **Other matters**

The financial statements of Al Badia Cement (Joint Stock Company) for the year ended December 31, 2009 were audited by another auditor who issued an unqualified opinion on March 23, 2010.

Damascus, Syria  
February 10, 2011

Deloitte & Touche



**AL BADIA CEMENT COMPANY**  
**(JOINT STOCK COMPANY)**

**STATEMENT OF FINANCIAL POSITION**

ASSETS	Notes	As of December 31,	
		2010 SYP	2009 SYP
<b>Current assets</b>			
Cash on hand and at banks	5	277,796,049	568,473,391
Advances to contractors	6	284,880,912	1,909,999,912
Due from related parties	14	4,251,396	4,251,396
Inventory	7	362,043,234	-
Other debit balances	8	93,008,061	47,589,765
Total current assets		<u>1,021,979,652</u>	<u>2,530,314,464</u>
<b>Non-current assets</b>			
Project under construction	9	14,848,227,182	7,223,904,057
Property, plant and equipment	10	63,868,917	43,741,497
Intangible assets		958,540	1,072,218
Other non-current assets	11	47,015,000	45,700,000
Total non-current assets		<u>14,960,069,639</u>	<u>7,314,417,772</u>
Total assets		<u>15,982,049,291</u>	<u>9,844,732,236</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Due to suppliers and contractors	12	1,837,048,841	2,611,322,107
Short-term loans	13	3,944,316,776	-
Due to related parties	14	332,720,757	235,043,705
Other payables and accrued expenses	15	82,885,505	41,351,479
Total current liabilities		<u>6,196,971,879</u>	<u>2,887,717,291</u>
<b>Non current liabilities</b>			
Long-term loan	16	567,765,637	-
Total non current liabilities		<u>567,765,637</u>	<u>-</u>
Total liabilities		<u>6,764,737,516</u>	<u>2,887,717,291</u>
<b>SHAREHOLDERS' EQUITY</b>			
Subscribed capital	17	12,200,000,000	12,200,000,000
Uncalled capital		( 2,440,000,000)	( 4,882,849,510)
Accumulated losses		( 360,135,545)	-
Net loss for the year\ period		( 182,552,680)	( 360,135,545)
Total shareholders' equity		<u>9,217,311,775</u>	<u>6,957,014,945</u>
Total liabilities and shareholders' equity		<u>15,982,049,291</u>	<u>9,844,732,236</u>

**AL BADIA CEMENT COMPANY**  
**(JOINT STOCK COMPANY)**

**STATEMENT OF COMPREHENSIVE INCOME**

Notes	For the year ended December 31, 2010 SYP	For the period from September 3, 2008 (establishment date) to December 31, 2009 SYP
Establishment expenses		- ( 82,493,110)
Net loss on difference of exchange		( 116,700,127) ( 160,616,036)
Interest income	19	4,854,676 31,116,506
Capital gains		- 53,644
Loss for the year\ period		<u>( 182,552,680)</u> <u>( 360,135,545)</u>
Other comprehensive income		- -
Total comprehensive income		<u>( 182,552,680)</u> <u>( 360,135,545)</u>
Loss per share for the year\ period	20	( 10.44 ) ( 24.61 )

**AL BADIA CEMENT COMPANY  
(JOINT STOCK COMPANY)**

**STATEMENT OF CASH FLOWS**

	Notes	For the year ended	For the period from
		December 31, 2010 SYP	September 3, 2008 (establishment date) to December 31, 2009 SYP
Cash flows from operating activities			
Loss for the year\ period		( 182,552,680)	( 360,135,545)
Adjustments to reconcile loss to cash flows used in operating activities			
Depreciation	9	8,235,321	6,659,068
Amortization		368,960	211,980
Capital gains		-	( 53,644)
Capital stamp duty fees in addition to local municipal fees		-	12,810,000
Increase in inventory		( 173,948,399)	( 340,508,141)
Increase in other debit balances		( 362,043,234)	-
Increase in due from related parties		( 45,418,296)	( 28,819,142)
Increase in other non-current assets		-	( 4,251,396)
Decrease in due to suppliers and contractors	19	( 1,315,000)	( 45,700,000)
Increase in other payables and accrued expenses		( 932,011,504)	-
Net cash flows used in operating activities		41,534,026	9,770,856
		( 1,473,202,407)	( 409,507,823)
Cash flows from investing activities:			
Increase in advances to contractors	19	( 122,979,768)	( 1,909,999,912)
Additions to project under construction	19	( 5,718,486,119)	( 4,530,178,332)
Acquisition of property and equipment	9 & 19	( 28,362,741)	( 51,046,921)
Additions to intangible assets		( 255,282)	( 1,284,198)
Proceeds from sale of property and equipment		-	700,000
Net cash flows used in investing activities		( 5,870,083,910)	( 6,491,809,363)
Cash flows from financing activities			
Long - term debt		567,765,637	-
Short-term bank note		3,944,316,776	-
Capital contributions		2,442,849,510	7,317,150,490
Financing from related parties		97,677,052	152,640,087
Net cash flows provided by financing activities		7,052,608,975	7,469,790,577
Net (decrease) / increase in cash on hand and at banks		( 290,677,342)	568,473,391
Cash on hand and at banks, beginning of the year\ period		568,473,391	-
Cash on hand and at banks, end of the year\ period		277,796,049	568,473,391

**AL BADIA CEMENT COMPANY  
(JOINT STOCK COMPANY)**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Capital		Total paid in capital	Accumulated losses	Total SYP
	Subscribed capital SYP	Uncalled capital SYP			
Balance as of September 3, 2008	-	-	7,317,150,490	-	7,317,150,490
Capital	12,200,000,000	( 4,882,849,510)	7,317,150,490	-	7,317,150,490
Loss for the period from September 3, 2008 till December 31, 2009	-	-	-	( 360,135,545)	( 360,135,545)
Balance as of December 31, 2009	12,200,000,000	( 4,882,849,510)	7,317,150,490	( 360,135,545)	6,957,014,945
Capital called and paid during 2010	-	2,442,849,510	2,442,849,510	-	2,442,849,510
Comprehensive income for the year	-	-	-	( 182,552,680)	( 182,552,680)
Balance as of December 31, 2010	12,200,000,000	( 2,440,000,000)	9,760,000,000	( 542,688,225)	9,217,311,775

**AL BADIA CEMENT COMPANY**  
**(JOINT STOCK COMPANY)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2010**

**1. OBJECTIVE AND FORMATION OF THE COMPANY**

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 Countryside Commercial Registry No.8593 on September 3, 2008.

The period of execution of the industrial project has been extended by resolution number 2305 issued by the general director of Syrian Investment authority dated July 7, 2009 to become five-years ending June 1, 2011.

The Company's duration is 25 years starting from September 24, 2007. The Company has not commenced its production phase as of the date of this report.

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 equipment.

On August 28, 2008, the constituting general assembly was held and the first Board of Directors was elected.

**2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)**

**2.1 Standards and Interpretations effective for the current period with no effect on the financial statements**

The following new and revised standards, interpretations have been adopted in the current period with no material impact on the disclosures and amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements:

Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*

The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

IFRS 3 (revised) *Business Combinations* and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*

*Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

IFRIC 17 *Distributions of Non-cash Assets to Owners*

*IFRIC 18 Transfers of Assets from Customers*

IFRS 3 (revised) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interest either at fair value or at the non-controlling interest's share of recognized identifiable net assets of the acquiree. Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognized against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognized in profit or loss. All acquisition-related costs are expensed. IAS 27 (revised in 2008) requires that transactions with non-controlling interests to be recognized within equity, with no impact on goodwill or profit or loss.

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 *Revenue*.

Improvements to IFRSs issued in 2009 (those that are mandatory for the first time for the financial year beginning 1 January 2010)

- Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* – Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
- Amendments to IFRS 8 *Operating Segments* – Disclosure of information about segment assets.
- Amendments to IAS 1 *Presentation of Financial Statements*- Current/non-current classification of convertible instruments.
- Amendments to IAS 7 *Statement of Cash Flows* – Classification of expenditures on unrecognized assets.
- Amendments to IAS 17 *Leases* – Classification of leases of land and buildings.
- Amendments to IAS 36 *Impairment of Assets* – Unit of accounting for goodwill impairment test.
- Amendments to IAS 38 *Intangible Assets* – Additional consequential amendments arising from revised IFRS 3. Measuring the fair value of an intangible asset acquired in a business combination.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* – Treating loan prepayment penalties as closely related embedded derivatives. Scope exemption for business combination contracts. Cash flow hedge accounting.
- IFRIC 9 *Reassessment of Embedded Derivatives* - Scope of IFRIC 9 and revised IFRS 3.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* – Amendment to the restriction on the entity that can hold hedging instruments.

## 2.2 Standards and Interpretations in issue but not yet effective

The Group has not applied the following new standards, amendments and interpretations that have been issued but not yet effective:

	<u>Effective for annual periods beginning on or after</u>
• Amendments to IFRS 1 relating to <i>Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters</i>	1 July 2010
• Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> , relating to Disclosures on Transfers of Financial Assets	1 July 2011
• IFRS 9 <i>Financial Instruments</i> (as amended in 2010)	1 January 2013
• IAS 24 <i>Related Party Disclosures</i> (revised in 2009)	1 January 2011

- Amendments to IAS 32 *Financial Instruments: Presentation*, relating to Classification of Rights Issues
  - Amendments to IFRIC 14 relating to *Prepayments of a Minimum Funding Requirement*
  - IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
  - *Improvements to IFRSs* issued in 2010 covering amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13
- 1 February 2010  
1 January 2011  
1 July 2010  
1 January 2011, except IFRS 3 and IAS 27 which are effective 1 July 2010

The directors of the Company anticipate that the adoption of these Standards and Interpretations where applicable, will have no material impact on the financial statements of the Company in the period of initial application.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

### Basis of preparation

The financial statements have been prepared on the basis of the historical cost convention. The financial statements are extracted from records related to the Company.

The financial statements are presented in Syrian Pounds (SYP), the functional currency of the Company and the currency of the economical environment.

The principal accounting policies adopted are set below:

### A. Assets under construction

Assets under construction are recognized at historical cost, less any recognized impairment loss. Cost includes in addition to the direct cost, 70% of general and administrative expenses (excluding unrelated expenses) and for qualifying assets, borrowing cost in accordance with IAS 23 "Borrowing Cost".

### B. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method at the following rates:

	<u>Years</u>
Vehicles	5
Computers	4
Furniture and office equipment	8
Site wells	25

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

#### C. Intangible assets

Intangible assets with finite useful life are carried at cost less accumulated amortization and accumulated impairment losses if any. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

#### D. Provisions

Provisions are recognized when the Company has a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle obligation and a reliable estimate of the amount can be made.

#### E. Financial assets

Financial assets and liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instruments.

Accounts receivables are stated at their fair value, as reduced by appropriate allowances for estimated irrecoverable amounts, if any.

Accounts payables are stated at their nominal value.

#### F. Income Tax

Taxation is provided in accordance with the Syrian income tax law fiscal regulations. No corporate income tax was provided for in the accompanying financial statements. The Company is incorporated under Investment Law No (10) of the year 1991 and its subsequent amendments, which grants the Company 5 years exemption on corporate taxation starting the earlier of the effective commencement date of the operation or 60 months from the Decree number 2465 dated June 1, 2006.

#### G. Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Capitalization of borrowing costs ceases when substantially all activities necessary to prepare the qualifying asset for its intended use are complete.

Other borrowing costs are recognized directly in the statement of comprehensive income.

#### H. Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in the statement of comprehensive income in the period in which they arise.

The closing rates of exchange were as follows:

	December 31	
	2010	2009
	SYP	SYP
USD	47.02	45.60
EUR	61.70	65.91

#### I. End of service indemnity

The Company is enrolled in a State defined end-of-service contribution fund and insurance schemes, whereby contributions are paid regularly on behalf of the staff. The obligation of the Company is limited to those contributions.

#### J. Cash and cash equivalents

Cash and cash equivalents on cost and balances at banks with original maturities of 3 months or less.

#### 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical judgments in applying accounting policies

- Useful lives of property, plant and equipment:

As described in note 3, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

#### 5. CASH ON HAND AND AT BANKS

This caption comprises cash on hand, current bank accounts and deposits, highly liquid short-term investments that could be converted into cash without significant decline in value and short-term bank's deposits due in one to three-month period as follows:

	As of December 31, 2010		As of December 31, 2009	
	Original currency	Counter value SYP	Original currency	Counter value SYP
<b>Cash on hand</b>				
SYP	-	-	-	764,506
USD	-	-	263	11,993
EUR	-	-	402	26,426
				802,925
<b>Current accounts</b>				
SYP	-	247,572,761	-	9,524,179
USD	35,399	1,664,276	97,113	4,437,532
EUR	3,197	197,243	-	-
		249,434,280		13,961,711
<b>Short-term Deposits</b>				
SYP	-	17,243,237	-	250,077,044
USD	236,489	11,118,532	6,632,959	303,116,802
EUR	-	-	7,812	514,909
		28,361,769		553,708,755
		277,796,049		568,473,391



#### 11. OTHER NON-CURRENT ASSETS

This amount represent the SYP equivalent of the balance of an account opened at the central bank of Syria as a guarantee of good performance for the cement plant.

#### 12. DUE TO SUPPLIERS AND CONTRACTORS

This caption comprises the following:

	As of December 31,	
	2010	2009
	SYP	SYP
Chinese Contractor (CBMI)	1,670,427,026	2,594,322,064
Swicorp Company	74,340,093	-
Inter bulk Company	31,316,008	-
SILKA	22,056,134	-
United Insurance Company	-	8,116,466
George Eskandar	9,453,995	-
CPS	5,838,486	4,864,867
WERTSILA Company	5,395,048	-
TCC	5,147,529	3,488,057
United Builders	4,013,203	-
CBI Zaka Company	2,926,554	-
Jaber Al Kilani Station	2,608,452	-
Intermix	1,225,000	-
Others	2,301,313	530,653
	<u>1,837,048,841</u>	<u>2,611,322,107</u>

#### 13. SHORT TERM LOANS

This caption comprises the following:

	As of December 31,	
	2010	2009
	SYP	SYP
Facilities provided by banks	3,395,750,000	-
Short-term portion of long term loan	548,566,776	-
	<u>3,944,316,776</u>	<u>-</u>

The bank financing is provided by a local bank with a total amount of USD 140 million partially used and structured into three facilities as follows:

- Facility A: is a short-term facility of USD 30 million which was fully utilized in 2010.
- Facility B: is a short-term facility in the total amount of USD 60 million out of which USD 20 million and SYP 1.045 billion was utilized as of December 31, 2010.
- Both Facilities A and B will be replaced with a long-term facility C with a total amount of USD 140 millions which will be available partially in USD (30 millions) and the remaining part will be in SYP.  
Facility C is a syndicated facility and the syndication process has been finalized.

The total amount utilized under facility A and facility B as of December 31, 2010 was approximately USD 72.5 million.

The utilized amounts of the mentioned facilities are subject to floating interest rates according to their currencies as follows:

- Utilized facilities in U.S. Dollars were subject to interest rates of LIBOR 3 months + 425 bps per annum with floor of 6.5 per annum.
- Utilized facilities in Syrian Pounds were subject to interest rate of 8% per annum.

Financing expenses were capitalized as a part of the cost of project under construction.

The short term portion of long term loan represents the short-term portion of the vendor loan provided by the Chinese contractor (CBMI).

#### 14. RELATED PARTIES

Related parties comprise the Company's directors, senior management and shareholders:

##### Statement of financial position items

	As of December 31,	
	2010	2009
	SYP	SYP
<u>Due to related parties</u>		
Al Muhaidib Holding Co.	85,171,065	80,958,380
Syrinvest Holding B.V.	126,623,108	71,353,108
Ziyad Sa'ad Al Deen Al Zae'em	20,886,052	20,829,194
Al Fozan Holding Co.	24,851,733	14,211,831
Menaf SAS	32,404,759	32,871,920
Nizar Al Asaad	20,072,025	11,108,851
Italcementi	15,096,250	-
Mahmoud Zuhair Shabarek	5,135,554	2,777,220
Aqar Co.	1,995,393	575,383
Other related parties	484,818	357,818
	<u>332,720,757</u>	<u>235,043,705</u>
<u>Due from related parties</u>		
Ziyad Sa'ad Al Deen Al Zae'em	3,600,844	3,600,844
Al Muhaidib Holding Co.	650,552	650,552
	<u>4,251,396</u>	<u>4,251,396</u>

##### Statement of comprehensive income items

The compensations of executive management, which consists of salaries and other short term benefits, for the year ended December 31, 2010 amount to SYP 45,830,312.

The amount of SYP 9,454,730 has been charged to general and administrative expenses, and the remaining amount of SYP 36,375,582 has been charged to project under construction and classified under the following item: (the value of work executed on site by contractor (CBMI), custom fees and direct expenses)

## 15. OTHER PAYABLES AND ACCRUED EXPENSES

This caption comprises the following:

	As of December 31,	
	2010	2009
	SYP	SYP
Accrued interest on short-term Bank facilities	37,274,143	-
Accrued interest on long-term vendor loan	14,509,696	-
Government mining royalties	20,880,000	-
Withholding tax	-	18,770,623
Stamp duty in addition to local administrative municipal fees	-	12,810,000
Other credit balances	10,221,666	9,770,856
	<u>82,885,505</u>	<u>41,351,479</u>

## 16. LONG-TERM LOAN

This item represents the long-term portion of the amount disbursed as of December 31, 2010 from the loan provided by the Chinese contractor (CBMI) and amounting to 23.74 Million.

The Contractor (CBMI) has provided a vendor loan amounting to USD 50 Million. This amount corresponds to the last payments due in USD accumulated backward from the last scheduled payment under the cement plant contract (drawdown period). A drawdown corresponds to and offsets a payment due according to this contract. This vendor loan, including accumulated interest during the drawdown period, will be repaid in 30 equal monthly installments (repayment period) starting on 1<sup>st</sup> of the month following four months period from the date of Kiln start up. In case of any delay in Kiln start up for reasons attributable to owner, the repayment period shall start on June 1, 2011.

The loan bears annual interest of 6.5% during both drawdown and repayment periods.

The company may decide at any time before the beginning of the drawdown period not to use the vendor loan, and may decide at any time to skip any drawdown, to stop drawing or to reimburse a part or the total of the outstanding amount of the vendor loan and the accrued interest to this date.

## 17. PAID IN CAPITAL

The capital of the Company is set at SYP 12,200,000,000 divided into 24,400,000 shares with a par value of SYP 500 each. The founders subscribed in 85% of the capital amounting to SYP 10,370,000,000 and 15% of shares amounting to SYP 1,830,000,000 were issued to the public.

As of December 31, 2010, 80% of the capital was settled by shareholders and the remaining 20% will be called on August, 2011.

The capital subscribed and paid as of December 31, 2010 is summarized as follows:

Shareholders	Percentage	Number of shares	Value of subscribed shares	Paid-in Capital		Total as of December 31, 2010
				For the period/ year ended December 31,		
				2009	2010	
			SYP	SYP	SYP	
Founders Subscriptions	85%	20,740,000	10,370,000,000	6,222,000,000	2,074,000,000	8,296,000,000
Public Subscriptions	15%	3,660,000	1,830,000,000	1,095,150,490	368,849,510	1,464,000,000
	100%	24,400,000	12,200,000,000	7,317,150,490	2,442,849,510	9,760,000,000

## 18. GENERAL AND ADMINISTRATIVE EXPENSES

This caption comprises the following:

	For the year ended December 31, 2010	For the period from September 3, 2008 (establishment date) to December 31, 2009
	SYP	SYP
Salaries, wages and allowances	17,970,426	7,089,363
Capital Stamp duty in addition to local administrative municipality fee	12,810,000	12,810,000
Consulting and professional fees	9,002,376	61,583,234
Advertising and publishing	8,346,028	4,516,120
Stock variance	7,480,100	-
Other stamps and fees	4,216,112	3,577,952
Depreciation	3,066,405	6,659,068
Rents	2,134,316	2,229,286
Legal fees	900,000	1,836,170
Bank commissions	867,079	3,161,631
Telecommunications	738,473	579,422
Reception and entertainment	560,458	960,243
Amortization	368,960	211,980
Maintenance for head office	294,269	558,640
Water and electricity	253,400	95,171
Maintenance, repairs, and car insurance	185,885	1,064,449
Stock registration expenses for the SEC	-	36,600,000
Other expenses	1,512,942	4,663,820
	<u>70,707,229</u>	<u>148,196,549</u>

## 19. INTEREST INCOME

This caption comprises the following:

	For the year ended December 31, 2010	For the period from September 3, 2008 (establishment date) to December 31, 2009
	SYP	SYP
Interest on short-term deposits	3,728,381	21,908,447
Interest on current amounts	1,126,295	467,046
Interest on advance payments to contractors	-	8,741,013
	<u>4,854,676</u>	<u>31,116,506</u>

## 20. LOSS PER SHARE

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

	For the year ended December 31, 2010 SYP	For the period from September 3, 2008 (establishment date) to December 31, 2009 SYP
Loss for the year\ period	( 182,552,680)	( 360,135,545)
Weighted average no. of shares for the year\ period	17,484,633	14,635,120
Loss per share	( 10.44 )	( 24.61 )

Weighted average No. of shares was calculated according to the paid in capital and the periods between payments as the percentage of paid in capital was 59.98% during the first five months and increased to 80% during the last seven months of 2010. During the period from September 3, 2008 (establishment date) until December 31, 2009 the percentage of paid in capital was 59.98%.

## 21. COMMITMENTS

In addition to the amounts presented in the statement of financial position, the Company has the following commitments as of December 31, 2010:

	Total contract value		Amounts paid up to December 31, 2009		Commitment amount	
	USD	Euro	USD	Euro	USD	Euro
Contract with CBMI to import production line on turn key basis	239,390,000	47,308,809	188,680,260	39,719,118	50,709,740	7,589,691
Consulting contract with CPS Company to oversee the CBMI contract	-	3,635,251	-	3,043,581	-	591,670

## 22. SUPPLEMENTARY NOTE TO THE STATEMENT OF CASH FLOWS

For the purpose of preparing the statement of cash flows, the affect of non-monetary transactions was eliminated as follows:

	Project under construction SYP	Due to suppliers and contractors SYP	Advances to contractors SYP
Movement for the year ended December 31, 2010	( 7,624,323,125)	( 774,273,266)	1,625,119,000
<u>Add (deduct) non monetary transactions:</u>			
Due to suppliers and contractors	157,738,238	( 157,738,238)	-
Advances to contractors	1,748,098,768	-	( 1,748,098,768)
	( 5,718,486,119)	( 932,011,504)	( 122,979,768)

## 23. COMPARISON OF FINANCIAL INFORMATION

The Comparative figures of 2009 were reclassified to be compatible with the current year financial statements:

	Before reclassification	Reclassification	After reclassification
Due to related parties	234,110,504	933,201	235,043,705
Other payables and accrued expenses	42,284,680	( 933,201)	41,351,479
Debtors and other debit balances	51,841,161	( 4,251,396)	47,589,765
Due from related parties	-	4,251,396	4,251,396
Intangible assets	29,014,158	( 27,941,940)	1,072,218
Projects under construction	-	7,223,904,057	7,223,904,057
Property, plant and equipment	7,239,703,614	( 7,195,962,117)	43,741,497

## 24. FAIR VALUE AND RISK MANAGEMENT

### Fair Values of Financial Assets and Liabilities

The carrying book value of financial assets and liabilities are not materially different from their fair values applicable at the statement of financial position date.

### (a) Capital risk management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing its return through the optimization of the debt and equity balance.

The capital structure of the Company consists of debts (contractors, related parties and due to banks).

The gearing ratio was as follows:

	As of December 31,	
	2010 SYP	2009 SYP
Due to suppliers and contractors	1,852,145,091	2,611,322,107
Short – term loans	3,944,316,776	-
Due to related parties	317,624,507	235,043,705
Long-term loan	567,765,637	-
Cash on hand and at banks	( 277,796,049)	( 568,473,391)
Net debt	6,404,055,962	2,277,892,421
Equity	9,217,311,775	6,957,014,945
Net debts to equity ratio	69.48 %	32.74 %

### (b) Market Risk

Marked risk is caused by the fluctuations in value or in the revenues resulted from the assets, interest or exchange rates including the risks resulted from the mismatch between assets and liabilities.

**(c) Liquidity Risk Management**

Liquidity risk is the risk that cash may not be available to pay obligations when due to a reasonable cost. To mitigate this risk, management anticipates cash flows for both assets and liabilities in a periodic bases.

	As of December 31, 2010		
	Less than one year SYP	More than one year SYP	Total SYP
<b>Assets</b>			
Current assets:			
Cash and cash equivalent	277,796,049	-	277,796,049
Advances to contractors	284,880,912	-	284,880,912
Due from related parties	4,251,396	-	4,251,396
Inventory	362,043,234	-	362,043,234
Other debit balances	93,008,061	-	93,008,061
Total current assets	<u>1,021,979,652</u>	<u>-</u>	<u>1,021,979,652</u>
Non-Current assets:			
Project under construction	-	14,848,227,182	14,848,227,182
Property, plant and equipment	-	63,868,917	63,868,917
Intangible assets	-	958,540	958,540
Other non-current assets	-	47,015,000	47,015,000
Total non-current assets	<u>-</u>	<u>14,960,069,639</u>	<u>14,960,069,639</u>
Total assets	<u>1,021,979,652</u>	<u>14,960,069,639</u>	<u>15,982,049,291</u>
<b>Liabilities</b>			
Current liabilities:			
Due to suppliers and contractors	1,837,048,841	-	1,837,048,841
Short-term loans	3,944,316,776	-	3,944,316,776
Due to related parties	332,720,757	-	332,720,757
Other payables and accrued expenses	82,885,505	-	82,885,505
Total current liabilities	<u>6,196,971,879</u>	<u>-</u>	<u>6,196,971,879</u>
Non-Current liabilities:			
Long term loan	-	567,765,637	567,765,637
Total non-current liabilities	<u>-</u>	<u>567,765,637</u>	<u>567,765,637</u>
Total liabilities	<u>6,196,971,879</u>	<u>567,765,637</u>	<u>6,764,737,516</u>
Liquidity Gap	<u>( 5,174,992,227)</u>	<u>14,392,304,002</u>	<u>9,217,311,775</u>

	As of December 31, 2009		
	Less than one year SYP	More than one year SYP	Total SYP
<b>Assets</b>			
Current assets:			
Cash and cash equivalent	568,473,391	-	568,473,391
Advances to contractors	1,909,999,912	-	1,909,999,912
Due from related parties	4,251,396	-	4,251,396
Debtors and other debit balances	47,589,765	-	47,589,765
Total current assets	<u>2,530,314,464</u>	<u>-</u>	<u>2,530,314,464</u>
Non-Current assets:			
Projects under construction	-	7,223,904,057	7,223,904,057
Property, plant and equipment	-	43,741,497	43,741,497
Intangible assets	-	1,072,218	1,072,218
Other non-current assets	-	45,700,000	45,700,000
Total non-current assets	<u>-</u>	<u>7,314,417,772</u>	<u>7,314,417,772</u>
Total assets	<u>2,530,314,464</u>	<u>7,314,417,772</u>	<u>9,844,732,236</u>
<b>Liabilities</b>			
Current liabilities:			
Due to suppliers and contractors	2,611,322,107	-	2,611,322,107
Due to related parties	235,043,705	-	235,043,705
Other payables and accrued expenses	41,351,479	-	41,351,479
Total current liabilities	<u>2,887,717,291</u>	<u>-</u>	<u>2,887,717,291</u>
Total liabilities	<u>2,887,717,291</u>	<u>-</u>	<u>2,887,717,291</u>
Liquidity Gap	<u>( 357,402,827)</u>	<u>7,314,417,772</u>	<u>6,957,014,945</u>

**(d) Interest Rate Risk**

The Company's interest rate risk arises from the possibility that changes in market interest rates will affect the value of interest earning assets and interest bearing liabilities.

The sensitivity analyses below have been determined based on the exposure to interest rates for floating rate liabilities; the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting year amounting to USD 50 Million equivalent to SYP 2.35 billion and SYP 1.045 billion as of December 31, 2009 was outstanding for the whole year. A 50 basis point (0.5%) represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's borrowing cost for the year ended December 31, 2010 would increase/decrease by SYP 16.97 Million.

**(e) Foreign currency risk management**

The company undertakes transactions denominated in foreign currencies which are exposed to exchange rate fluctuations. The company management has performed several analysis of the foreign exchange risk exposure with a conclusion that main risk exists on EUR exposure which is more volatile versus SYP. However, total EUR exposure is not very high compared to USD exposure. On USD exposure, historical SYP/USD rates analysis has shown that the exchange rate volatility is quite small and the risk has been accepted by the company management. Company management approached a local Bank during 2010 regarding possibilities of currency hedging. At that time, it was not possible to hedge SYP/USD exposure, but only EUR/USD exposure.



The carrying amounts of the company's foreign currency denominated monetary assets and liabilities at the reporting date are as follows

	<u>As of December 31, 2010</u>		
	<u>Liabilities</u>	<u>Assets</u>	<u>Net assets/ (liabilities)</u>
	SYP	SYP	SYP
USD	4,902,244,886	181,489,527	( 4,720,755,359)
EURO	627,326,302	40,066,034	( 587,260,268)

The following table shows the company's sensitivity to a 10% increase in the foreign currency unit against the Syrian Pound. The sensitivity analysis includes only outstanding foreign currency denominated monetary items.

	<u>For the year ended December 31, 2010</u>		
	<u>USD</u>	<u>EUR</u>	<u>Total</u>
	SYP	SYP	SYP
Loss	( 472,075,536)	( 58,726,027)	( 530,801,563)

A 10% decrease in the FCU against the Syrian Pound will affect the profit and loss as follows:

	<u>For the year ended December 31, 2010</u>		
	<u>USD</u>	<u>EUR</u>	<u>Total</u>
	SYP	SYP	SYP
Profit	472,075,536	58,726,027	530,801,563

## 25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the board of directors on February 10, 2011.