

## Report of the auditors to the members of Balkcem Limited

### Report on the financial statements

1 We have audited the financial statements of Balkcem Limited on pages 6 to 19, which comprise the balance sheet as at 31 December 2004 and the income statement, statement of changes in equity and cash flow statement for the year then ended and the related notes. These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to the Company's members, as a body, in accordance with Section 156 of the Companies Law, Cap. 113. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

2 We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 In our opinion, the financial statements give a true and fair view of the financial position of Balkcem Limited as of 31 December 2004 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Law, Cap. 113.

(4)

**Board Members:** Phidias K Pilides (Chief Executive Officer), Dimos N Papadopoulos, Tassos I Televantides, Panikos N Tsiailis, Christakis Santis, Stephos D Stephanides, Costas L Hadjiconstantinou, George Foradaris, Costas M Nicolaidis, Angelos M Loizou, Vasilis Hadjivassiliou, Savvas C Michail, Costas L Mavrocordatos, Christos M Themistocleous, Panicos Kaouris, Nicos A Neophytou, George M Loizou, Androulla S Pittas, Andreas T Constantinides, Timothy D Osborne, Pantelis G Evangelou, Liakos M Theodorou, Stelios Constantinou, Tassos Procopiou, Theo Parperis, Constantinos Constantinou, Petros C Petrakis, Philippos C Soseilos, Evgenios C Evgeniou, Christos Tsolakis, Nicos A Theodoulou, Nikos T Nikolaidis, Cleo A Papadopoulou, Marios S Andreou, Nicos P Chimarides, Aram Tavitian, Constantinos Taliotis  
**Directors of Operations:** Adrian Ioannou, Stavros A Kattamis, Androulla Aristidou, Achilleas Chrysanthou, George Skapoullaros  
**Non-Executive Chairman:** Michael H Zampelas  
**Consultant:** Loizos Shakallis

**Report on other legal requirements**

4 Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- (a) We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- (b) In our opinion, proper books of account have been kept by the Company.
- (c) The Company's financial statements are in agreement with the books of account.
- (d) In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- (e) In our opinion, the information given in the report of the Board of Directors on pages 2 and 3 is consistent with the financial statements.

PricewaterhouseCoopers Limited  
Chartered Accountants

Nicosia, 21 February 2005

# Balkcem Limited

## Income statement for the year ended 31 December 2004

	Note	2004 EUR	2003 EUR
Dividend income	7	17,561,854	20,666,432
Consultancy fee income		1,644,860	1,629,794
Interest income		263,239	152,687
Administrative expenses		(395,647)	(324,874)
<b>Operating profit</b>	4	<b>19,074,306</b>	<b>22,124,039</b>
Finance costs – net	6	(453,635)	(533,545)
<b>Profit before tax</b>		<b>18,620,671</b>	<b>21,590,494</b>
Tax	8	(113,087)	(236,960)
<b>Net profit for the year</b>		<b>18,507,584</b>	<b>21,353,534</b>

The notes on pages 10 to 19 form part of these financial statements.

# Balkcem Limited

## Balance sheet at 31 December 2004

	Note	2004 EUR	2003 EUR
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertakings	9	<u>26,984,552</u>	<u>29,994,552</u>
<b>Current assets</b>			
Receivables and prepayments	10	191,976	23,841,615
Cash and cash equivalents		<u>12,416,722</u>	<u>15,475,364</u>
		<u>12,608,698</u>	<u>39,316,979</u>
<b>Total assets</b>		<u><u>39,593,250</u></u>	<u><u>69,311,531</u></u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	12	13,975	13,975
Share premium		12,257,031	12,257,031
Other reserve	13	-	3,573,708
Retained earnings		<u>27,314,106</u>	<u>39,812,309</u>
		<u>39,585,112</u>	<u>55,657,023</u>
<b>Non-current liabilities</b>			
Borrowings	14	-	13,443,376
Deferred tax liabilities	15	-	204,856
		<u>-</u>	<u>13,648,232</u>
<b>Current liabilities</b>			
Trade and other payables	16	<u>8,138</u>	<u>6,276</u>
<b>Total liabilities</b>		<u>8,138</u>	<u>13,654,508</u>
<b>Total equity and liabilities</b>		<u><u>39,593,250</u></u>	<u><u>69,311,531</u></u>

On 21 February 2005 the Board of Directors of Balkcem Limited authorised these financial statements for issue.

Stelios Triantafyllides, Director

Arta Antoniou, Director

The notes on pages 10 to 19 form part of these financial statements.

# Balkcem Limited

## Cash flow statement for the year ended 31 December 2004

	Note	2004 EUR	2003 EUR
<b>Cash flows from operating activities</b>			
Profit before tax		18,620,671	21,590,494
Adjustments for:			
Interest expense	6	266,221	517,062
		<u>18,886,892</u>	<u>22,107,556</u>
Changes in working capital:			
Receivables and prepayments		(110,535)	(6,866,972)
Trade and other payables		1,862	(1,523)
		<u>18,778,219</u>	<u>15,239,061</u>
Cash generated from operations		(130,259)	(134,438)
Tax paid			
		<u>18,647,960</u>	<u>15,104,623</u>
<b>Cash flows from financing activities</b>			
Interest paid		(266,221)	(94,877)
Dividends paid to Company's shareholders	18	(6,135,608)	-
Repayment of convertible debentures		(15,304,773)	
		<u>(21,706,602)</u>	<u>(94,877)</u>
Net cash used in financing activities			
		<u>(3,058,642)</u>	<u>15,009,746</u>
Net (decrease)/increase in cash and cash equivalents		15,475,364	465,618
Cash and cash equivalents at beginning of year			
		<u>12,416,722</u>	<u>15,475,364</u>
Cash and cash equivalents at end of year	11		

The notes on pages 10 to 19 form part of these financial statements.