

Report of the auditors to the members of Balkan Cement Enterprises Limited

Report on the financial statements

1 We have audited the financial statements of Balkan Cement Enterprises Limited on pages 5 to 14, which comprise the balance sheet as at 31 December 2004 and the statement of operations, 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 Balkan Cement Enterprises 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.

(3)

Board Members: Phidias K Pilides (Chief Executive Officer), Dinos 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, Achilles Chrysanthou, George Skapoullaros
Non-Executive Chairman: Michael H Zampelas
Consultant: Loizos Shakallis

4 Without qualifying our opinion, we draw attention to the fact that these financial statements have been prepared on a going concern basis which presumes that amounts due to related parties of EUR23,460,174 (Note 12) will not be called for repayment by the parties concerned 12 months from the date of this report.

Report on other legal requirements

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

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- 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.
- In our opinion, the information given in the report of the Board of Directors on page 2 is consistent with the financial statements.

PricewaterhouseCoopers Limited
Chartered Accountants

Nicosia, 20 January 2005

BALKAN CEMENT ENTERPRISES LIMITED

Λογαριασμός Αποτελεσμάτων για το έτος που έληξε στις 31 Δεκεμβρίου 2004

	2004 ΕΥΡΩ	2003 ΕΥΡΩ
Πιστωτικοί τόκοι	294	651
Έξοδα διοίκησης	<u>-13,056</u>	<u>-57,709</u>
Ζημία εργασιών	-12,762	-57,058
Πρόβλεψη για μη ανάκτηση της υπεραξίας δικαιωμάτων εξάσκησης	-14,508,322	-2,580,000
Χρηματ/κά έσοδα/(έξοδα)- καθαρά	<u>-206</u>	<u>238</u>
Ζημία χρήσεως	<u><u>-14,521,290</u></u>	<u><u>-2,636,820</u></u>

BALKAN CEMENT ENTERPRISES LIMITED

Ισολογισμός στις 31 Δεκεμβρίου 2004

	2004 ΕΥΡΩ	2004 ΕΥΡΩ	2003 ΕΥΡΩ	2003 ΕΥΡΩ
Ενεργητικό				
Κυκλοφορούν Ενεργητικό				
Δάνειο εισπρακτέα		-		337,628
Κόστος δικαιώματος εξάσκησης	26,343,748		26,343,748	
Μείον: Πρόβλεψη μη ανάκτησης υπεραξίας δικαιώματος εξάσκησης	<u>-17,088,322</u>	9,255,426	<u>-2,580,000</u>	23,763,748
Προπληρωμές και λοιπές απαιτήσεις		2,606		3,001
Ταμειακά διαθέσιμα και ισοδύναμα		<u>37,238</u>		<u>10,400</u>
Σύνολο ενεργητικού		9,295,270		24,114,777
Παθητικό				
Ίδια κεφάλαια				
Μετοχικό κεφάλαιο		294,000		294,000
Αποθεματικό κεφάλαιο από την έκδοση μετοχών υπέρ το άρτιο		2,716,000		2,716,000
Συσσωρευμένη ζημιά		<u>-17,180,269</u>		<u>-2,658,979</u>
		<u>-14,170,269</u>		<u>351,021</u>
Βραχυπρόθεσμες υποχρεώσεις				
Υποχρεώσεις προς συνδεδεμένες επιχειρήσεις		23,460,174		23,760,175
Πιστωτές διάφοροι		<u>5,365</u>		<u>3,581</u>
		<u>23,465,539</u>		<u>23,763,756</u>
Σύνολο Παθητικού		9,295,270		24,114,777

BALKAN CEMENT ENTERPRISES LIMITED

Κατάσταση Ταμειακής Ροής για το έτος που έληξε στις 31 Δεκεμβρίου 2004

	2004 ΕΥΡΩ	2003 ΕΥΡΩ
Ροή μετρητών από εργασίες		
Ζημία χρήσεως	-14,521,290	-2,636,820
Αναπροσαρμογές για:		
-Πρόβλεψη για μη ανάκτηση της υπεραξίας δικαιωμάτων εξάσκησης	<u>14,508,322</u>	<u>2,580,000</u>
Ζημία από εργασίες πριν τις αλλαγές στο κεφάλαιο κίνησης	-12,968	-56,820
Αλλαγές στο κεφάλαιο κίνησης:		
Χρεώστες και προπληρωμές	395	286
Βραχυπρόθεσμες υποχρεώσεις	<u>-298,217</u>	<u>6,857,913</u>
Καθαρά μετρητά από εργασίες	-310,790	6,801,379
Ροή μετρητών από επενδυτικές δραστηριότητες		
Είσπραξη δάνειου	337,628	-
	<u>-</u>	<u>-6,860,000</u>
Προπληρωμές δικαιώματος εξάσκησης		
Καθαρά μετρητά σε επενδυτικές δραστηριότητες	<u>337,628</u>	<u>-6,860,000</u>
Καθαρή αύξηση/(μείωση) στα μετρητά και αντίστοιχα μετρητών	26,838	-58,621
Μετρητά και αντίστοιχα μετρητών στην αρχή του έτους	10,400	69,021
Μετρητά και αντίστοιχα μετρητών στο τέλος του έτους	<u><u>37,238</u></u>	<u><u>10,400</u></u>