

Balkcem Limited

Report and financial statements 31 December 2005

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Balkcem Limited

Board of Directors and other officers

Board of Directors

Michail Sigalas
Arta Antoniou
Spyroulla Papaeracleous
Stelios Triantafyllides

Company Secretary

A.T.S. Services Limited
2 – 4 Arch. Makarios III Avenue
Capital Center, 9th floor
CY-1065 Nicosia
Cyprus

Registered office

2 – 4 Arch. Makarios III Avenue
Capital Center, 9th floor
CY-1065 Nicosia
Cyprus

Balkcem Limited

Report of the Board of Directors

1 The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2005.

Principal activities

2 The principal activities of the Company, which are unchanged from last year, are those of an investment holding company, the provision of consultancy services to fellow group companies and the trading in shares including but not limited to any form of dividend and interest earning shares, bonds, deposits and loans.

Review of developments, position and performance at the Company's business

3 The Company made a profit of €18,972,602 in 2005 compared to €18,507,585 in 2004. The increase was mainly due to the higher consultancy fee income received from subsidiary and the lower administrative expenses incurred. The net assets of the Company at 31 December 2005 were €51,557,714 compared to the net assets at 31 December 2004 of €39,585,111. Details of the movement in net assets is set on page 8 of the financial statements. The Management believes that the Company will improve its profitability in future. The Board of Directors of the Company does not expect any significant changes in the activities of the Company for the foreseeable future.

Principal risks and uncertainties

4 The Company's principal risks and uncertainties are stated in Note 3.

Results

5 The Company's results for the year are set out on page 6. The Board of Directors recommends the payment of a dividend as detailed below and the remaining profit for the year is retained.

Dividend

6 On the 19 December 2005 an interim dividend of €7 000 000 was approved and paid for the year 2005.

Share capital

7 There were no changes in the share capital of the Company.

Balkcem Limited

Report of the Board of Directors (continued)

Board of Directors

8 The members of the Board of Directors at 31 December 2005 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2005.

9 In accordance with Company's Articles of Association Mr Michail Sigalas retires and being eligible, offers himself for re-election.

10 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the balance sheet date

11 There were no material events which occurred after the end of the financial year.

Branches

12 The Company does not operate through any branches during the year.

Auditors

13 The auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board

Stelios Triantafyllides
Director

Nicosia
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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 20, which comprise the balance sheet as at 31 December 2005 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 2005 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. Piliades (CEO), Dinos N. Papadopoulos (Deputy CEO), Tassos I. Televisiades, Panikos N. Tsailis, Christakis Saitis, Stephanos D. Stephanides, Costas L. Haidjionazarinou, George Fotiadis, Costas M. Nicolaidis, Angelos M. Loizou, Vasilis Hadjivassiliou, Savvas C. Michtil, Costas L. Mavrocordatos, Christos M. Themistocleous, Panicos Kaveris, Nicos A. Neophytos, 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. Porskis, Philippos C. Savellos, Evgenios C. Evgeniou, Christos Tsolkakis, Nicos A. Theodorou, Nikos T. Nikolaidis, Cleo A. Papadopolou, Maria S. Androni, Nicos P. Chimariades, Aram Tavonian, Constantinos Taliris, Stavros A. Kattamis
Directors of Operations: Adrian Ioannou, Andreoula Arniadou, Achilles Chryssanthou, George Skapellaris, Bamfos A. Chamlambois, Chris Odysseos, Demetris V. Psallia, Constantinos L. Kapsalis

4 Without qualifying our opinion we draw attention to the fact that at 31 December 2005 and during the year 2005 the Company had balances and entered into transactions with related parties in the normal course of business. Related parties may enter into transactions which unrelated parties would not and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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 pages 2 to 3 is consistent with the financial statements.


PricewaterhouseCoopers Limited
Chartered Accountants

Nicosia, 13 February 2006

Balkcem Limited

Income statement for the year ended 31 December 2005

	Note	2005 €	2004 €
Dividend income	6	17,106,830	17,561,854
Consultancy fee income		1,962,240	1,644,860
Other gains	7	398,805	263,239
Administrative expenses		(171,727)	(396,242)
Operating profit		19,296,148	19,073,711
Finance costs	8	(85,429)	(453,040)
Profit before tax		19,210,719	18,620,671
Tax	9	(238,117)	(113,087)
Profit for the year		18,972,602	18,507,584

The notes on pages 10 to 20 are an integral part of these financial statements.

Balkcem Limited

Balance sheet at 31 December 2005

	Note	2005 €	2004 €
Assets			
Non-current assets			
Investment in subsidiary undertaking	11	26,984,552	26,984,552
Current assets			
Other receivables	12	2,565,927	179,426
Tax recoverable		1,318	12,550
Cash and cash equivalents	13	22,015,658	12,416,722
		<u>24,582,903</u>	<u>12,608,698</u>
Total assets		<u>51,567,455</u>	<u>39,593,250</u>
Equity and liabilities			
Capital and reserves			
Share capital	14	13,975	13,975
Share premium	14	12,257,031	12,257,031
Retained earnings		39,286,708	27,314,106
		<u>51,557,714</u>	<u>39,585,112</u>
Current liabilities			
Other payables	16	9,741	8,138
Total equity and liabilities		<u>51,567,455</u>	<u>39,593,250</u>

On 13 February 2006 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 20 are an integral part of these financial statements.

Balkcem Limited

Statement of changes in equity for the year ended 31 December 2005

	Note	Share capital €	Share premium €	Other reserve €	Retained earnings (1) €	Total €
Balances at 1 January 2004		13,975	12,257,031	3,573,708	39,812,309	55,657,023
Profit for the year		-	-	-	18,507,584	18,507,584
Dividend in kind	11, 20	-	-	-	(26,770,174)	(26,770,174)
Dividend relating to 2004	20	-	-	-	(6,135,608)	(6,135,608)
Repayment of convertible debentures	17, 18	-	-	(3,573,708)	1,899,995	(1,673,713)
Balance at 31 December 2004/1 January 2005		<u>13,975</u>	<u>12,257,031</u>	<u>-</u>	<u>27,314,106</u>	<u>39,585,112</u>
Profit for the year		-	-	-	18,972,602	18,972,602
Dividend relating to 2005	20	-	-	-	(7,000,000)	(7,000,000)
Balance at 31 December 2005		<u>13,975</u>	<u>12,257,031</u>	<u>-</u>	<u>39,286,708</u>	<u>51,557,714</u>

- (1) From 1 January 2003 onwards, companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable for the account of the shareholders.

The notes on pages 10 to 20 are an integral part of these financial statements.

Balkcem Limited

Cash flow statement for the year ended 31 December 2005

	Note	2005 €	2004 €
Cash flows from operating activities			
Profit before tax		19,210,719	18,620,671
Adjustments for:			
Interest expense	8	-	265,626
		<u>19,210,719</u>	<u>18,886,297</u>
Changes in working capital:			
Other receivables		(2,574,063)	(110,535)
Other payables		1,603	1,862
		<u>16,638,259</u>	<u>18,777,624</u>
Cash generated from operations		(39,323)	(130,259)
Tax paid			
		<u>16,598,936</u>	<u>18,647,365</u>
Cash flows from financing activities			
Interest paid		-	(265,626)
Dividends paid to Company's shareholders	20	(7,000,000)	(6,135,608)
Repayment of convertible debentures		-	(15,304,773)
		<u>(7,000,000)</u>	<u>(21,706,007)</u>
Net cash used in financing activities			
		<u>9,598,936</u>	<u>(3,058,642)</u>
Net increase/(decrease) in cash and bank balances		12,416,722	15,475,364
Cash and bank balances at beginning of year			
		<u>22,015,658</u>	<u>12,416,722</u>
Cash and bank balances at end of year	13		

The notes on pages 10 to 20 are an integral part of these financial statements.

Balkcem Limited

Notes to the financial statements

1 General information

Country of incorporation

The Company is incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. Its registered office is at 2 – 4 Arch. Makarios III Avenue, Capital Center, 9th floor, Nicosia, Cyprus.

Principal activities

The principal activities of the Company are those of an investment holding company, the provision of consultancy services to fellow group companies and the investing and trading in shares including but not limited to any form of dividend and interest earning shares, bonds, deposits and loans.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements of Balkcem Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements of Balkcem Limited in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Adoption of new and revised IFRS

In the current year the Company adopted all new and revised IFRS that are relevant to its operations and are effective for accounting periods beginning on 1 January 2005.

This adoption did not result in substantial changes to the Company's accounting policies.

Balkcem Limited

2 Summary of significant accounting policies (continued)

Revenue recognition

Revenue comprises the fair value for the sale of services, net of value added tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

Revenue earned by the Company are recognised on the following bases:

(a) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(b) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

Foreign currency translation

(a) Functional and presentation currency

Items included in the Company's financial statements are measured and presented in Euro (€) for the following reasons:

The majority of assets and liabilities and majority of transaction of the Company were, and in the future are expected to be, denominated, executed and settled in €. Due to the nature of the Company's business, key economic and operational decisions are based in €. The functional currency of the ultimate parent company, Titan Cement S.A. which significantly influences the Company's key economic and operational decisions is the €.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Balkcem Limited

2 Summary of significant accounting policies (continued)

Tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax on investments in subsidiary undertakings does not arise, as the profit on sale of securities is not taxable.

Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which they are approved by the Company's shareholders.

Investment in subsidiary undertaking

The investment in subsidiary undertaking is stated at cost less any permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense when the diminution is identified.

Share capital

Ordinary shares are classified as equity.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

When convertible debenture loans are issued, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is recorded as a non-current liability on the amortised cost basis until extinguished on conversion or maturity of the convertible debenture loans.

Balkcem Limited

2 Summary of significant accounting policies (continued)

Borrowings (continued)

The remainder of the proceeds is allocated to the conversion option which is recognized and included in shareholders' equity; the value of the conversion option is not changed in subsequent periods.

Receivables from related parties

Receivables from related parties are stated at their transacted values as they are on demand. Management believes that their fair value is not materially different from their transacted values.

Consolidated financial statements

Consolidated financial statements, which would include the financial statements of the Company and its subsidiary undertaking, have not been prepared because the Company is a wholly owned subsidiary itself and it does not need to prepare consolidated financial statements as these will be prepared by its ultimate parent company Titan Cement S.A., a company incorporated in Greece. This exemption is permitted by International Accounting Standard IAS27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" and the requirements of the Cyprus Companies Law, Cap. 113. Consolidated financial statements can be obtained from Titan Cement S.A., 22A Halkidos Street, 11143 Athens, Greece.

Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in the presentation in the current year.

3 Financial risk management

(a) Financial risk factors

The Company's activities exposed it to interest rate risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

Balkcem Limited

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(i) Interest rate risk

Interest rate is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company has interest-bearing assets and it borrows at fixed rates. Interest income earned on cash at bank is susceptible to changes in market interest rates. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

(ii) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company has no significant concentrations of credit risk as most of its receivables are with related parties.

(iii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses, such as maintaining sufficient cash and other highly liquid current assets.

(iv) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company functional currency. At the year-end the Company had no significant balances in foreign currencies. The Company's policy is not to enter into any currency hedging transactions.

The foreign exchange difference charged to the income statement amounts to €85.429 (2004:€187.414) and relates to financing activities (Note 8).

(b) Fair value estimation

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Company for similar financial instruments.

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4 Critical accounting estimates and judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Income taxes

The Company operates in Cypriot tax jurisdiction. The Company must interpret and apply existing legislation to transactions with third parties and its own activities. Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

In Management's opinion, the Company is in substantial compliance with the tax laws governing its operations. However the risk remains that the relevant authorities could take differing positions with regard to interpretative issues and the effect could be significant.

The Company met the tax filing in Cyprus. To the best of Management's knowledge, no breaches of tax law have occurred. Thus, the Company has not recorded any provision for potential impact of any such breaches as at 31 December 2005 or as at 31 December 2004.

5 Staff costs

	2005 €	2004 €
Wages and salaries	<u>147,556</u>	<u>376,093</u>

6 Dividend income

During the year, the Company's subsidiary A.D. Cemetarnica USJE declared and paid to the Company dividend of €17,106,830 (2004: €17,561,854).

Balkcem Limited

7 Other gains

	2005 €	2004 €
Interest income:		
Bank balances	<u>398,805</u>	<u>263,239</u>

8 Finance costs

	2005 €	2004 €
Interest expense:		
Borrowings	-	265,626
Net foreign exchange transaction losses on financing	85,429	187,414
	<u>85,429</u>	<u>453,040</u>

9 Tax

	2005 €	2004 €
Current tax:		
Corporation tax	198,794	105,674
Defence contribution	39,323	26,324
Deferred taxation (Note 15)	-	(18,911)
	<u>238,117</u>	<u>113,087</u>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2005 €	2004 €
Profit before tax	<u>19,210,719</u>	<u>18,620,671</u>
Tax calculated at the applicable tax rates	1,921,072	1,862,067
Tax effect of expenses not deductible for tax purposes	8,344	18,804
Tax effect of allowances and income not subject to tax	(1,730,622)	(1,769,347)
Prior year tax	-	(5,850)
Defence tax	39,323	26,324
Deferred tax	-	(18,911)
Taxation charge	<u>238,117</u>	<u>113,087</u>

Balkcem Limited

9 Tax (continued)

From 1 January 2003 onwards the Company is subject to corporation tax on its taxable profits at the rate of 10%. For the years 2003 and 2004 any profits in excess of C£1.000.000 are subject to an additional corporation tax at the rate of 5%.

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax burden of approximately 15%. In certain cases dividends received from abroad may be subject to defence contribution at the rate of 15%.

10 Expenses by nature

	2005	2004
	€	€
Salaries and related costs (Note 5)	147,556	376,093
Accountancy and administrative	8,057	5,149
Auditors' remuneration	10,827	8,130
Legal fees	2,606	3,921
Sundry expenses	2,271	2,949
Amounts written off	410	-
Total administrative expenses	<u>171,727</u>	<u>396,242</u>

11 Investment in subsidiary undertaking

	% shareholding	Country of incorporation	2005 €	2004 €
A.D. Cemetarnica USJE – at cost	94,84	Fyrom	<u>26,984,552</u>	<u>26,984,552</u>

(1) During the year 2004, following a unanimous written resolution of the Board of Directors dated 8 December 2003 the Company distributed the investment in Balkan Cement Enterprises Limited and the receivable from Balkan Cement Enterprises Limited (Note 20) as a dividend in kind to the Company's shareholders Aemos Cement Limited (51 percent shareholding) and Holcim Ausiandbeteiligugs GmbH (49 percent shareholding). The shares in Balkan Cement Enterprises Limited and the receivable were assigned to Themis Holdings Limited, a new company that was created and owned by Aemos Cement Limited (51 percent) and Holcim Ausiandbeteiligugs GmbH (49 percent). Subsequently, on 5 May 2004 the 49 percent of the Company's issued share capital owned by Holcim Ausiandbeteiligugs GmbH was assigned to Aemos Cement Limited.

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12 Other receivables

	2005 €	2004 €
Receivables from related parties (Note 19)	2,563,000	176,820
Other receivables	2,927	2,606
	<u>2,565,927</u>	<u>179,426</u>

13 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	2005 €	2004 €
Bank balances	<u>22,015,658</u>	<u>12,416,722</u>

14 Share capital and share premium

		2005		
	Number of shares	Share capital £	Share capital €	Share premium €
At 1 January and 31 December 2005	<u>8 199</u>	<u>8,199</u>	<u>13,975</u>	<u>12,257,031</u>

		2004		
	Number of shares	Share capital £	Share capital €	Share premium €
At 1 January and 31 December 2005	<u>8 199</u>	<u>8,199</u>	<u>13,975</u>	<u>12,257,031</u>

The total authorized number of ordinary shares is 20 000 shares (2004: 20 000 shares) with a par value of C£1 per share. All issued shares are fully paid.

Balkcem Limited

15 Deferred tax liabilities

Deferred tax assets and liabilities are calculated in full on temporary differences under the liability method using a principal tax rate of 10 per cent.

The movement on the deferred income tax account is as follows:

	2005	2004
	€	€
Deferred tax liabilities		
At 1 January	-	204,856
Charged/(credited) to income	-	(18,911)
Credited to retained earnings	-	(185,945)
	<u> </u>	<u> </u>
At 31 December	<u> </u>	<u> </u>

16 Other payables

	2005	2004
	€	€
Other payables and accrued expenses	1,922	1,000
Accrued expenses	7,820	7,138
	<u> </u>	<u> </u>
	<u>9,742</u>	<u>8,138</u>

17 Other reserve

Other reserve represented the equity conversion component associated with the convertible loan. Convertible loan was repaid during 2004 and reserve was therefore eliminated (Note 18).

18 Borrowings

The Euro denominated convertible debenture loan (loan) is effective as of 28 December 1998 and has nominal value of €15,338,756. The loan matures 10 years from the issue date at nominal value, unless converted into the Company's share capital at the option of the holder at the rate of 1 share per €1,533.876 of loan converted – maximum number of shares to be issued 10 000.

During 2004 the loan was repaid.

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19 Related party transactions

The Company is controlled by Aemos Cement Limited incorporated in Cyprus. Aemos Cement Limited owned 51% of the Company's shares and the remaining 49% of the shares are held by Holcim Ausiandbeteiligungs GmbH.

For the purposes of these financial statements, parties are considered to be related if one party has the ability to control the other party in making financial or operating decisions and such include all companies which are ultimately controlled by a common management.

The following transactions were carried out with related parties:

(a) Sales of services

	2005 €	2004 €
Provision of consultancy services: Subsidiary undertaking	<u>1,962,240</u>	<u>1,644,860</u>

(b) Year-end balances arising from sales of services/financing

	Nature of transactions	2005 €	2004 €
Receivable from subsidiary undertaking	Consultancy fees	63,000	176,820
Receivables from fellow group company (1)	Financing	2,500,000	-
		<u>2,563,000</u>	<u>176,820</u>

- (1) Financing to fellow group company represents an interest-free loan, repayable on demand.
- (2) During 2004, financing to fellow group company was distributed to Company's shareholders as a dividend in kind (Note 20).

20 Dividend

During the year an interim dividend of €7,000,000 was approved and paid for the year 2005. During 2004 a dividend of €26,770,174 was paid in kind through the assignment of a loan receivable of €23,760,174 and an investment in subsidiary of €3,010,000. Further, on 21 July 2004 a dividend of €6,135,608 was paid for the year 2004.

21 Events after the balance sheet date

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Report of the auditors' on pages 4 to 5.

Balkcem Limited

Analysis of expenses for the year ended 31 December 2005

	2005	2004
	€	€
Administrative expenses		
Salaries and related costs	147,556	376,093
Printing	26	23
Postages and telephones	30	28
Accountancy and administrative	8,057	5,149
Auditors' remuneration	10,225	8,130
Auditors remuneration – prior year	602	-
Legal fees	2,606	3,921
Sundry expenses	254	595
Bank charges	1,961	2,303
Amounts written off	410	-
	<u>171,727</u>	<u>396,242</u>