

# Rea Cement Limited

## Report and financial statements 31 December 2005

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# **Rea Cement Limited**

## **Board of Directors and other officers**

### **Board of Directors**

Stelios Triantafyllides  
Spyroulla Papaeracleous  
Arta Antoniou

### **Company Secretary**

**A.T.S. Services Limited**  
2-4 Arch. Makarios Avenue III  
Capital Center, 9<sup>th</sup> Floor  
CY-1065 Nicosia  
Cyprus

### **Registered office**

2-4 Arch. Makarios III Avenue  
Capital Center, 9<sup>th</sup> Floor  
CY-1065 Nicosia  
Cyprus

# Rea Cement 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 and the investing and trading in instruments including but not limited to any form of dividend and interest earning shares, bonds, deposits and loans.

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

3 During the year the Company had a loss for the year of €12,540 in comparison to loss for the year of €152,843 during 2004. The decrease in loss is due to the non-receiving nature of expenses incurred in 2004 for the acquisition of the two subsidiary undertakings. Despite the loss incurred, the financial position of the Company as presented in the financial statements is considered satisfactory. 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 or uncertainties are show in Note 3.

### Results

5 The Company's results for the year are set out on page 6. The loss for the year is carried forward.

### Share capital

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

### Board of Directors

7 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.

8 In accordance with the Company's Articles of Association all Directors will continue in office.

# Rea Cement Limited

## Report of the Board of Directors (continued)

### Board of Directors (continued)

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

### Events after the balance sheet date

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

### Branches

11 The Company did not operate through any branches during the year.

### Auditors

12 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  
..... 2006

## Report of the auditors to the members of Rea Cement Limited

### Report on the financial statements

1 We have audited the financial statements of Rea Cement Limited on pages 6 to 17, which comprise the balance sheet as at 31 December 2005 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 Rea Cement 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 Cyprus Companies Law, Cap. 113.

(4)

**Board Members:** Phidias K Piliotis (CEO), Dinos N Papadopoulos (Deputy CEO), Tassos I Tzioussides, Panikos N Tsakalis, Christakis Sarritis, Stephan D Stephanides, Costas L Hadjioussantimis, George Farszaris, Constantinos M Nicosides, Angelos M Louizou, Vasilis Hadjivassiliou, Savvas C Michail, Costas L Mastrogiannidis, Christos M Themistocleous, Petros Kauris, Nikos A Neophytou, George M Louizou, Andreoula S Pirtak, Andreas T Constantineides, Timothy D Osborne, Pantelis G Evangelou, Liakos M Theodorou, Stelios Constantinou, Iakovos Pitsapoulos, Theo Pateris, Constantinos Constantinou, Petros C Patsalos, Philippos C Savellos, Evimeris C Eugeniois, Christos Tsoukinis, Nicola A Theodorou, Nicos T Nikolaidis, Ugo A Papadopoulos, Marios S Andreou, Nicos P Chimarides, Afani Tavrian, Constantinos Tzioussides, Stavros A Kattanas

**Directors of Operations:** Adrian Ioannides, Androulla Arziadou, Achilleas Christodou, George Skapoularou, Bambois A Chamliambouca, Chris Odysseous, Demetris V Psalris, Constantinos I 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

# Rea Cement Limited

## Statement of operations for the year ended 31 December 2005

	Note	2005 €	2004 €
Other gains	5	5,453	28,122
Administrative expenses		(17,050)	(177,613)
<b>Operating loss</b>		<u>(11,597)</u>	<u>(149,491)</u>
Finance costs	6	(216)	(90)
<b>Loss before tax</b>		<u>(11,813)</u>	<u>(149,581)</u>
Tax	7	(727)	(3,262)
<b>Loss for the year</b>		<u>(12,540)</u>	<u>(152,843)</u>


The notes on pages 10 to 17 are an integral part of these financial statements.

# Rea Cement Limited

## Balance sheet at 31 December 2005

	Note	2005 €	2004 €
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiary undertakings	9	65,807,373	65,807,373
<b>Current assets</b>			
Other receivables	10	976	100,823
Tax refundable		1,492	-
Cash and cash equivalents	11	286,736	200,293
		<u>289,204</u>	<u>301,116</u>
<b>Total assets</b>		<u>66,096,577</u>	<u>66,108,489</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Share capital	12	68,226	68,226
Share premium	12	66,433,500	66,433,500
Accumulated losses		(468,185)	(455,645)
		<u>66,033,541</u>	<u>66,046,081</u>
<b>Current liabilities</b>			
Other payables	13	62,854	60,621
Current tax liabilities		182	1,787
<b>Total liabilities</b>		<u>63,036</u>	<u>62,408</u>
<b>Total equity and liabilities</b>		<u>66,096,577</u>	<u>66,108,489</u>

On 13 February 2006 the Board of Directors of Rea Cement Limited authorised these financial statements for issue.

  
Stelios Triantafyllides, Director

Spyroulla Papaeracleous, Director

The notes on pages 10 to 17 are an integral part of these financial statements.



# Rea Cement Limited

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

	Note	Share capital €	Share premium €	Accumulated losses €	Total €
Balances at 1 January 2004		1,726	-	(302,802)	(301,076)
Issue of shares at premium	12	66,500	66,433,500	-	66,500,000
Loss for the year		-	-	(152,843)	(152,843)
<b>Balance at 31 December 2004/ 1 January 2005</b>		<u>68,226</u>	<u>66,433,500</u>	<u>(455,645)</u>	<u>66,046,081</u>
Loss for the year		-	-	(12,540)	(12,540)
<b>Balance at 31 December 2005</b>		<u>68,226</u>	<u>66,433,500</u>	<u>(468,185)</u>	<u>66,033,541</u>

The notes on pages 10 to 17 are an integral part of these financial statements.

# Rea Cement Limited

## Cash flow statement for the year ended 31 December 2005

	Note	2005 €	2004 €
<b>Cash flows from operating activities</b>			
Loss before tax		(11,813)	(149,581)
Changes in working capital:			
Other receivables		99,847	58,466,262
Other payables		2,233	6,501,604
<b>Cash generated from operations</b>		<b>90,267</b>	<b>64,818,285</b>
Tax paid		(3,824)	(1,475)
<b>Net cash from operating activities</b>		<b>86,443</b>	<b>64,816,810</b>
<b>Cash flows from investing activities</b>			
Investments in subsidiary undertakings	9	-	(65,807,373)
<b>Net cash used in investing activities</b>		<b>-</b>	<b>(65,807,373)</b>
<b>Net increase/(decrease) in cash and bank balances</b>		<b>86,443</b>	<b>(990,563)</b>
Cash and bank balances at beginning of year		200,293	1,190,856
<b>Cash and bank balances at end of year</b>	11	<b>286,736</b>	<b>200,293</b>

The notes on pages 10 to 17 are an integral part of these financial statements.

# Rea Cement Limited

## Notes to the financial statements

### 1 General information

#### Country of incorporation

The Company is incorporated in Cyprus on 8 of March 2001 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, 9<sup>th</sup> floor, Nicosia, Cyprus.

#### Principal activities

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

### 2 Summary of accounting policies

The principal accounting policies applied 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 Rea Cement 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 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.

#### Revenue recognition

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

##### (a) Interest income

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

# Rea Cement Limited

## 2 Summary of accounting policies (continued)

### 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.

### 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 substantially 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.

### Investments in subsidiary undertakings

Investments in subsidiary undertakings are 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.

# Rea Cement Limited

## 2 Summary of accounting policies (continued)

### Consolidated financial statements

Consolidated financial statements, which would include the financial statements of the Company and its subsidiary undertakings, 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.

### Share capital

Ordinary shares are classified as equity.

### Receivables from holding company

Receivables from holding company 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.

### Cash and cash equivalents

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

### Comparatives

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

## 3 Financial risk management

### (a) Financial risk factors

The Company’s activities expose it to currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage this risk are discussed below:

#### (i) 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’s measurement currency. At the year end the Company had no significant balances in foreign currencies.

The foreign exchange difference charged to the income statement amounts to €98 (2004:€90) and relates to financing activities (Note 6).

# Rea Cement Limited

## 3 Financial risk management (continued)

### (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.

## 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.

# Rea Cement Limited

## 5 Other gains

	2005 €	2004 €
Interest income:		
Bank balances	<u>5,453</u>	<u>28,122</u>

## 6 Finance costs

	2005 €	2004 €
Interest expenses:		
Overdue taxation	118	-
Net foreign exchange transaction losses on financing activities	98	90
	<u>216</u>	<u>90</u>

## 7 Tax

	2005 €	2004 €
Current tax:		
Defence contribution	<u>727</u>	<u>3,262</u>

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

	2005 €	2004 €
Loss before tax	<u>(11,813)</u>	<u>(149,581)</u>
Tax calculated at the applicable tax rates	(1,181)	(14,958)
Tax effect of expenses not deductible for tax purposes	103	15,355
Tax effect of allowances and income not subject to tax	(273)	(1,406)
Tax effect of tax losses carried forward	1,351	1,009
Defence tax	727	3,262
	<u>727</u>	<u>3,262</u>

From the tax year commencing 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%.

At 31 December 2005 the Company had tax losses of C£7,793 (2004:C£nil) which can be carried forward and be set off against future profits with no time limitation.

# Rea Cement Limited

## 8 Expense by nature

	2005 €	2004 €
Auditors' remuneration	5,090	3,768
Overprovision for auditors' remuneration	602	(3,655)
Accountancy and administrative	9,115	5,548
Sundry expenses	1,374	8,503
Brokerage fees	-	511
Legal fees	869	99,517
Professional services - consultancy	-	45,316
VAT on professional services from abroad	-	18,105
Total administrative expenses	<u>17,050</u>	<u>177,613</u>

## 9 Investments in subsidiary undertakings

	2005 €	2004 €
Investment in subsidiary undertakings:		
99,99 per cent ownership of share capital of Zlatna Panega Cement AD	65,525,827	65,525,827
91,26 per cent ownership of share capital of Granitoid AD	281,546	281,546
	<u>65,807,373</u>	<u>65,807,373</u>

In 2003, the Company entered into a conditional agreement for the acquisition of two entities incorporated in Bulgaria. The acquisition to be effective required the acceptance of the Bulgarian Antitrust authorities. The consideration for the acquisition was pre-paid to an unrelated party in accordance with the conditional agreement which was refundable (guaranteed) in the event that the acquisition did not materialise. During 2004, the Bulgarian Antitrust authorities approved the transaction and the acquisitions materialised.

During 2004 additional amounts were paid in accordance to the purchase agreement increasing the cost of the acquisition of the investment in Zlatna Panega Cement AD to €65,525,827.

## 10 Other receivables

	2005 €	2004 €
Prepayments	976	869
Receivables from holding company (Note 14)	-	99,954
	<u>976</u>	<u>100,823</u>



# Rea Cement Limited

## 11 Cash and cash equivalents

For the purposes of the cash flow statement the cash and cash equivalents comprise the following:

	2005 €	2004 €
Cash at bank	<u><b>286,736</b></u>	<u>200,293</u>

## 12 Share capital and share premium

		2005		
	Number of shares	Share capital £	Share capital €	Share premium €
At 1 January and 31 December	<u>39 506</u>	<u>39,506</u>	<u>68,226</u>	<u>66,433,500</u>
		2004		
	Number of shares	Share capital €	Share capital €	Share premium €
At 1 January	1 000	1,000	1,726	-
Issue of shares (1)	38 506	38,506	66,500	66,433,500
At 31 December	<u>39 506</u>	<u>29,430</u>	<u>68,226</u>	<u>66,433,500</u>

(1) The total authorised number of ordinary shares is 40 000 shares (2004: 10 000 shares) with a par value of C£1 per share. All issued shares are fully paid.

(2) During 2004 the Company increased its authorised share capital from 10 000 shares of C£1 each to 40 000 shares of C£1 each and issued 38 506 ordinary shares of C£1 (€1,727) each at C£1,000 (€1,727) each. The share premium resulting from the transaction was C£38,467,494 (€66,433,500).

## 13 Other payables

	2005 €	2004 €
Other payables	<b>59,889</b>	57,328
Accrued expenses	<b>2,965</b>	3,293
	<u><b>62,854</b></u>	<u>60,621</u>

# Rea Cement Limited

## 14 Related party transactions

The Company is controlled by Aemos Cement Limited, incorporated in Cyprus, which owns 100% of the Company's shares. The Company's ultimate controlling party is Titan Cement S.A., in Greece.

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

Included in the balance sheet are the following amounts in respect of related parties:

	Nature of transaction	2005 €	2004 €
Receivables from holding company	Financing	-	99,954

- (1) The balance as at 31 December 2004 represents expenses paid by the Company on behalf of its holding company and was fully repaid in the year.

## 15 Option agreement

On 5 May 2004, the Company entered into an option agreement with Holcim (Bulgaria) AD by virtue of which the Company will have the right to purchase 49% of the shares owned by Holcim (Bulgaria) AD or any subsidiary thereof at the time of exercise of such option in the Bulgarian companies Komars AD, Holcim Kavierni Materiali AD and Kavieri AD against an option price of €4,000,000, plus interest. The option shall be exercisable by the Company at any time during the option period, ending 5 May 2006, by giving written notice to Holcim (Bulgaria) AD. No notice was given as at the date of this report.

## 16 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 and 5.

# Rea Cement Limited

## Analysis of expenses for the year ended 31 December 2005

	2005	2004
	€	€
<b>Administrative expenses</b>		
Printing and stationary	21	40
Postages and telephones	15	37
Auditors' remuneration	5,090	3,768
Overprovision for auditors' remuneration	602	(3,655)
Accountancy and administrative	9,115	5,548
Sundry expenses	684	6,468
Brokerage fees	-	511
Bank charges	654	1,958
Legal fees	869	99,517
Professional services - consultancy	-	45,316
VAT on professional services from abroad	-	18,105
	<b><u>17,050</u></b>	<b><u>177,613</u></b>