

# **Aemos Cement Limited**

## **Report and financial statements 31 December 2006**

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# **Aemos Cement Limited**

## **Board of directors and other officers**

### **Board of Directors**

Arta Antoniou  
Spyroulla Papaeracleous  
Stelios Triantafyllides

### **Company Secretary**

#### **A.T.S. Services Limited**

2-4 Arch. Makarios III Avenue  
Capital Center, 9<sup>th</sup> Floor  
CY-1505 Nicosia  
Cyprus

### **Registered office**

2-4 Arch. Makarios III Avenue  
Capital Center, 9<sup>th</sup> Floor  
CY-1505 Nicosia  
Cyprus

# **Aemos 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 2006.

### **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 shares 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 The Company made a profit for the year 2006 of €23,846,699 compared to the profit of €7,515,052 made in 2005. The increase was due to higher dividend income in 2006. The net assets of the Company as at 31 December 2006 were €175,781,798 compared to €151,935,099. The Board of Directors believes that the Company's profitability will improve in future and does not expect any significant changes in the activities of the Company in the foreseeable future.

### **Principal risks and uncertainties**

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

### **Results**

5 The Company's results for the year are set out on page 6. The Board of Directors does not recommend the payment of a dividend and the profit for the year is retained.

### **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 2006 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2006.

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

# **Aemos 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 of the Company, Messrs Ernst & Young were appointed during the year 2006 in replacement of PricewaterhouseCoopers Limited. Messrs, Ernst & Young, have signified their willingness to continue in office. A resolution for reappointing them and authorising the Directors to set their remuneration will be proposed at the Annual General Meeting of the Company.

**By Order of the Board**

**Stelios Triantafyllides**  
**Director**

Nicosia  
28 February 2007

## **Independent Auditor's Report to the Members of Aemos Cement Limited**

### **Report on the Financial Statements**

We have audited the financial statements of Aemos Cement Limited (the "Company") on pages 6 to 23, which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Directors' Responsibility for the Financial Statements*

The Company's Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Cyprus Companies Law, Cap 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

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. 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 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, 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.

(4)

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Aemos Cement Limited as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the IASB and the requirements of the Cyprus Companies Law, Cap 113.

**Report on Other Legal Requirements**

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.



Ernst & Young  
Chartered Accountants

Nicosia  
28 February 2007

# Aemos Cement Limited

## Income statement for the year ended 31 December 2006

|  | Note | 2006<br>€         | 2005<br>€ |
|--|------|-------------------|-----------|
| Dividend income  | 5    | <b>23,051,364</b> | 7,024,111 |
| Net gains on financial assets at fair value through profit or loss | 6    | <b>496,236</b>    | 431,164   |
| Interest income  | 7    | <b>930,393</b>    | 88,209    |
| Administrative expenses  | 10   | <b>(562,807)</b>  | (844,061) |
| Reversal of provision for discontinued operations                  |      | -                 | 772,023   |
| <b>Operating profit</b>  |      | <b>23,915,186</b> | 7,471,446 |
| Finance income   | 8    | <b>2,009</b>      | 58,537    |
| <b>Profit before tax</b>   |      | <b>23,917,195</b> | 7,529,983 |
| Tax  | 9    | <b>(70,496)</b>   | (14,931)  |
| <b>Profit for the year</b>   |      | <b>23,846,699</b> | 7,515,052 |

The notes on pages 10 to 23 are an integral part of these financial statements.

# Aemos Cement Limited

## Balance sheet at 31 December 2006

|   | Note | 2006<br>€                 | 2005<br>€                 |
|---|------|---------------------------|---------------------------|
| <b>Assets</b>   |      |                           |                           |
| <b>Non-current assets</b>                             |      |                           |                           |
| Investments in subsidiary undertakings                | 11   | 134,984,905               | 133,913,166               |
| <b>Current assets</b>                                 |      |                           |                           |
| Other receivables                                     | 12   | 9,905,628                 | 7,738,360                 |
| Financial assets at fair value through profit or loss | 13   | 1,700,991                 | 1,399,624                 |
| Tax refundable  |      | -                         | 13,462                    |
| Cash and cash equivalents                             | 14   | 30,282,245                | 9,953,970                 |
|   |      | <u>41,888,864</u>         | <u>19,105,416</u>         |
| <b>Total assets</b>                                   |      | <u><u>176,873,769</u></u> | <u><u>153,018,582</u></u> |
| <b>Equity and liabilities</b>                         |      |                           |                           |
| <b>Capital and reserves</b>                           |      |                           |                           |
| Share capital   | 15   | 114,827                   | 114,827                   |
| Share premium   | 15   | 113,054,397               | 113,054,397               |
| Exchange difference translation reserve               | 16   | 90,984                    | 90,984                    |
| Retained earnings                                     |      | 62,521,590                | 38,674,891                |
|   |      | <u>175,781,798</u>        | <u>151,935,099</u>        |
| <b>Current liabilities</b>                            |      |                           |                           |
| Other payables  | 17   | 1,080,251                 | 1,083,483                 |
| Current tax liabilities                               |      | 11,720                    | -                         |
|   |      | <u>1,091,971</u>          | <u>1,083,483</u>          |
| <b>Total equity and liabilities</b>                   |      | <u><u>176,873,769</u></u> | <u><u>153,018,582</u></u> |

On 28 February 2007 the Board of Directors of Aemos Cement Limited authorised these financial statements for issue.

Stelios Triantafyllides, Director

Arta Antoniou, Director

The notes on pages 10 to 23 are an integral part of these financial statements.



# Aemos Cement Limited

## Statement of changes in equity for the year ended 31 December 2006

|   | Share<br>capital<br>€ | Share<br>Premium<br>(2)<br>€ | Exchange<br>difference<br>translation<br>reserve<br>€ | Retained<br>earnings<br>(1)<br>€ | Total<br>€  |
|---|-----------------------|------------------------------|---|----------------------------------|-------------|
| <b>Balance 1 January 2005</b>                         | 114,827               | 113,054,397                  | 90,984  | 31,159,839                       | 144,420,047 |
| Profit for the year                                   | -                     | -                            | -   | 7,515,052                        | 7,515,052   |
| <b>Balance at 31 December<br/>2005/1 January 2006</b> | 114,827               | 113,054,397                  | 90,984  | 38,674,891                       | 151,935,099 |
| Profit for the year                                   | -                     | -                            | -   | 23,846,699                       | 23,846,699  |
| <b>Balance at 31 December 2006</b>                    | 114,827               | 113,054,397                  | 90,984  | 62,521,590                       | 175,781,798 |

- (1) As from 1 January 2003, companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount of dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the year of assessment to which the profit refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the Company for the account of the shareholders. For tax year 2004, there is no deemed distribution.
- (2) The share premium is not distributable by way of dividend. It can be used mainly for the issue of bonus shares to the shareholders.
- (3) Exchange difference translation reserve is explained in note 16 to the financial statements.

The notes on pages 10 to 23 are an integral part of these financial statements.

# Aemos Cement Limited

## Cash flow statement for the year ended 31 December 2006

|   | Note | 2006<br>€                | 2005<br>€               |
|---|------|--------------------------|-------------------------|
| <b>Cash flows from operating activities</b>           |      |                          |                         |
| Profit before tax                                     |      | 23,917,195               | 7,529,983               |
| Adjustments for:                                      |      |                          |                         |
| Dividend income                                       | 5    | (23,051,364)             | (7,024,111)             |
| Interest income                                       | 7    | (930,393)                | -                       |
| Interest expense                                      | 8    | 455                      | 171                     |
|   |      | <u>(64,107)</u>          | <u>506,043</u>          |
| Changes in working capital:                           |      |                          |                         |
| Other receivables                                     |      | (2,167,268)              | 2,494,068               |
| Other payables  |      | (3,231)                  | (867,961)               |
| Financial assets at fair value through profit or loss |      | (301,367)                | 835,504                 |
| <b>Cash (used in)/from operations</b>                 |      | <u>(2,535,973)</u>       | <u>2,967,654</u>        |
| Tax paid  |      | (45,315)                 | (16,182)                |
| <b>Net cash (used in)/from operating activities</b>   |      | <u>(2,581,288)</u>       | <u>2,951,472</u>        |
| <b>Cash flows from investing activities</b>           |      |                          |                         |
| Purchase of investments in subsidiary undertakings    | 11   | (1,071,739)              | (1,070,001)             |
| Dividends received                                    |      | 23,051,364               | 7,024,111               |
| Interest received                                     |      | 930,393                  |                         |
| <b>Net cash from investing activities</b>             |      | <u>22,910,018</u>        | <u>5,954,110</u>        |
| <b>Cash flows from financing activities</b>           |      |                          |                         |
| Interest paid   |      | (455)                    | (171)                   |
| <b>Net cash used in financing activities</b>          |      | <u>(455)</u>             | <u>(171)</u>            |
| <b>Net increase in cash and bank balances</b>         |      | <u>20,328,275</u>        | <u>8,905,411</u>        |
| <b>Cash and bank balances at beginning of year</b>    |      | <u>9,953,970</u>         | <u>1,048,559</u>        |
| <b>Cash and bank balances at end of year</b>          | 14   | <u><u>30,282,245</u></u> | <u><u>9,953,970</u></u> |

The notes on pages 10 to 23 are an integral part of these financial statements.

# Aemos Cement Limited

## Notes to the financial statements

### 1 General information

#### Country of incorporation

The Company was 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 Centre, 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 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 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 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). The financial statements comply with both these reporting frameworks because at the time of their preparation all applicable IFRSs issued by the IASB have been adopted by the EU through the endorsement procedure established by the European Commission. In addition, the financial statements have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap.113.

#### Standards, interpretations and amendments to published standards that are not yet effective:

Certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

Issued by the IASB and adopted by the EU

*IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures*

*IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*

*IFRIC 8, Scope of IFRS 2*

# Aemos Cement Limited

## 2 Summary of significant accounting policies (continued)

### Basis of preparation (continued)

*IFRIC 9, Reassessment of Embedded Derivatives*

Issued by the IASB but not yet adopted by the EU

*IFRS 8, Operating Segments*

*IFRIC 10, Interim Financial Reporting and Impairment*

*IFRIC 11, IFRS 2-Group and Treasury Share Transactions*

*IFRIC 12, Service Concession Arrangements*

The above are expected to have no impact on the Company's financial statements, other than the presentation of additional disclosures concerning financial instruments under IFRS7 and management of capital under the amendment to IAS1 in the 2007 financial statements.

### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised

#### (a) Interest income

Interest income is recognised as the interest accrues (taking into account the effective yield on the asset).

#### (b) Dividend income

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

### Foreign currency translation

#### (1) 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 €

# Aemos Cement Limited

## 2 Summary of significant accounting policies (continued)

### (2) Functional and presentation currency (continued)

- 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 €

### (3) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date 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.

Translation differences on non-monetary items, such as equities held at fair value through the profit or loss, are reported as part of the fair value gain or loss.

### 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 subsidiaries undertakings does not arise, as the profit on sale of securities is not taxable.

### Investments in subsidiary undertakings

Subsidiaries include all companies that are controlled by the company by the company. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of the voting power of an enterprise.

Investments in subsidiaries are stated at cost less any impairment in value. The carrying values of investments in subsidiaries are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Impairment losses are recognised in the income statement.

# Aemos Cement Limited

## 2 Summary of significant accounting policies (continued)

### Investments

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every reporting date.

#### (a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets.

#### (c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. During the year, the Company did not hold any investments in this category.

#### (d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses being recognised directly in equity in the net unrealised gains reserve. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the income statement. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are

# **Aemos Cement Limited**

## **2 Summary of significant accounting policies (continued)**

### **Investments (continued)**

recognised in the income statement as “Dividends received” when the right of payment has been established.

Regular way purchases and sales of investments are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using appropriate valuation techniques.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

# **Aemos Cement Limited**

## **2 Summary of significant accounting policies (continued)**

### **Receivables from related parties**

Receivables from related parties are stated at their transacted values as they are on demand. Management believes that their fair values are 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 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 were 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 by 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**

The share capital is recognised at its nominal value. The difference between the fair value received by the Company and the nominal value of the issued share capital is transferred to the share premium reserve.

### **Cash and cash equivalents**

Cash and short term deposits in the balance sheet comprise cash at banks and at hand and short term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts

### **Comparatives**

Where necessary, comparative figures are 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 market price risk, credit risk, liquidity risk and currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage this risk are discussed below.



# Aemos Cement Limited

## 3 Financial risk management (continued)

### (i) Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's investments at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of its investment portfolio.

### (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 recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. As at 31 December 2006 the Company had financial assets at fair value through profit or loss of €753,490 (2005: €251,424) denominated in US Dollar and Australian Dollar.

The foreign exchange loss charged to the income statement amounts to €2,464 (2005: gain of €8,708) and relates to financing activities (Note 8).

### (b) Fair value estimation

The fair values of financial assets and liabilities are not materially different from their carrying values at the balance sheet date.

# Aemos Cement Limited

## 4 Critical accounting estimates and assumptions

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 the Cypriot tax jurisdiction. The Company must interpret and apply existing legislation to transactions from its activities with third parties and related parties. 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 2006 or as at 31 December 2005.

## 5 Dividend income

Dividend income of €23,000,000 (2005:€7,000,000) was received from the subsidiary undertakings, Balkcem Limited and Tithys Limited. Other dividend income of €51,364 (2005: €24,111) was received from financial assets at fair value through profit or loss.

# Aemos Cement Limited

## 6 Net gains on financial assets at fair value through profit or loss

|                           | 2006<br>€      | 2005<br>€      |
|---------------------------|----------------|----------------|
| Fair value gains/(losses) | 248,879        | (175,450)      |
| Profit on sale            | 247,357        | 606,614        |
|                           | <u>496,236</u> | <u>431,164</u> |

## 7 Interest income

|                                   | 2006<br>€      | 2005<br>€     |
|-----------------------------------|----------------|---------------|
| Interest income from:             |                |               |
| Bank balances                     | 399,146        | 88,209        |
| Loans from fellow group companies | 531,247        | -             |
|                                   | <u>930,393</u> | <u>88,209</u> |

## 8 Finance income

|  | 2006<br>€    | 2005<br>€     |
|--|--------------|---------------|
| Interest expense:                      |              |               |
| Bank overdraft                         | (455)        | (28)          |
| Overdue taxation                       | -            | (143)         |
|  | <u>(455)</u> | <u>(171)</u>  |
| Net foreign exchange transaction gains | 2,464        | 58,708        |
|  | <u>2,009</u> | <u>58,537</u> |

## 9 Tax

|                      | 2006<br>€     | 2005<br>€     |
|----------------------|---------------|---------------|
| Current tax:         |               |               |
| Corporation tax      | 19,191        | -             |
| Defence contribution | 43,300        | 9,643         |
| Withholding tax      | 8,005         | 5,288         |
|                      | <u>70,496</u> | <u>14,931</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:

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## 9 Tax (continued)

|  | 2006<br>€          | 2005<br>€ |
|--|--------------------|-----------|
| Profit before tax                                      | <b>23,917,195</b>  | 7,529,983 |
| Tax calculated at the applicable tax rates             | <b>2,391,719</b>   | 752,998   |
| Tax effect of expenses not deductible for tax purposes | <b>20,071</b>      | -         |
| Tax effect of allowances and income not subject to tax | <b>(2,380,933)</b> | (752,998) |
| Withholding tax  | <b>8,005</b>       | 5,288     |
| Defence contribution                                   | <b>42,910</b>      | 9,643     |
| Defence contribution-prior years                       | <b>390</b>         | -         |
| Losses brought forward, utilised                       | <b>(11,666)</b>    | -         |
| Taxation charge  | <b>70,496</b>      | 14,931    |

The Company is subject to corporation tax on its taxable profits at the rate of 10%. As at 31 December 2006 the Company has no liability for income tax due to tax losses suffered. At 31 December 2006 the Company had no tax losses carried forward (2005: €16,665).

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

|  | 2006<br>€      | 2005<br>€ |
|--|----------------|-----------|
| Accountancy and administrative           | <b>10,635</b>  | 11,565    |
| Audit fees                               | <b>7,781</b>   | 13,033    |
| Legal fees                               | <b>1,952</b>   | 1,737     |
| Sundry expenses                          | <b>19,611</b>  | 17,628    |
| Custody fees                             | <b>5,490</b>   | 2,728     |
| Salaries and related costs               | <b>316,228</b> | 262,519   |
| Consultancy fees                         | -              | 29,500    |
| Brokerage fees                           | <b>1,110</b>   | 5,351     |
| Administration and intermediary services | <b>200,000</b> | 500,000   |
| Total administrative expenses            | <b>562,807</b> | 844,061   |

# Aemos Cement Limited

## 11 Investments in subsidiary undertakings

At cost:-

|                         | % share –<br>holding | Country of<br>incorporation | Activities      | 2006<br>€          | 2005<br>€          |
|-------------------------|----------------------|-----------------------------|-----------------|--------------------|--------------------|
| Tithys Limited          | 100%                 | Cyprus                      | Holding Company | 42,273,830         | 42,273,830         |
| Balkcem Limited (1)     | 100%                 | Cyprus                      | Holding Company | 22,753,905         | 21,683,905         |
| Themis Holdings Limited | 51%                  | Cyprus                      | Holding Company | 3,453,705          | 3,453,705          |
| Rea Cement Limited      | 100%                 | Cyprus                      | Holding Company | 66,501,726         | 66,501,726         |
| Alvacim Limited (2)     | 100%                 | Cyprus                      | Holding Company | 1,739              | -                  |
|                         |                      |                             |                 | <b>134,984,905</b> | <b>133,913,166</b> |

### (1) Investment in Balkcem Limited

During the period the cost of the investment in Balkcem Limited increased by €1.070.000 which represents a provision for the additional consideration that will be paid in accordance to the purchase agreement (Note 17).

### (2) Investment in Alvacim Limited

On 24 July 2006, the Company incorporated Alvacim Limited and subscribed for 100% of its shareholding at a cost of €1,739.

## 12 Other receivables

|  | 2006<br>€        | 2005<br>€        |
|--|------------------|------------------|
| Receivables from related parties (Note 19) | <b>9,690,436</b> | 7,736,408        |
| Other receivables and prepayments          | <b>215,192</b>   | 1,952            |
|  | <b>9,905,628</b> | <b>7,738,360</b> |

## 13 Financial assets at fair value through profit or loss

|                    | 2006<br>€        | 2005<br>€ |
|--------------------|------------------|-----------|
| Listed securities: |                  |           |
| Equity securities  | <b>1,700,991</b> | 1,399,624 |

The carrying amounts of the above financial assets are classified as follows:

|                  | 2006<br>€        | 2005<br>€ |
|------------------|------------------|-----------|
| Held for trading | <b>1,700,991</b> | 1,399,624 |

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the cash flow statement.

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## 14 Cash and cash equivalents

|              | 2006<br>€         | 2005<br>€        |
|--------------|-------------------|------------------|
| Cash at bank | <u>30,282,245</u> | <u>9,953,970</u> |

Cash at bank represents current and fixed deposit accounts denominated in Euro and carry interest from 1.0% to 1.5% and from 3% to 3.5%, respectively.

## 15 Share capital and share premium

|                              |                     | 2006                   |                       |                       |
|------------------------------|---------------------|------------------------|-----------------------|-----------------------|
|                              | Number<br>of shares | Share<br>capital<br>C£ | Share<br>capital<br>€ | Share<br>premium<br>€ |
| At 1 January and 31 December | <u>67 093</u>       | <u>67,093</u>          | <u>114,827</u>        | <u>113,054,397</u>    |
|                              |                     |                        |                       |                       |
|                              |                     | 2005                   |                       |                       |
|                              | Number<br>of shares | Share<br>capital<br>C£ | Share<br>capital<br>€ | Share<br>premium<br>€ |
| At 1 January and 31 December | <u>67 093</u>       | <u>67,093</u>          | <u>114,827</u>        | <u>113,054,397</u>    |

- (1) The total authorized number of ordinary shares is 70 000 shares (2004: 70 000 shares) with a par value of C£1 per share. All issued shares are fully paid.

## 16 Exchange difference translation reserve

Following the adoption of the Euro (€) across the participant member countries of the European Union as from 1 January 2002, the Greek Drachma no longer reflected the economic substance of the underlying events and circumstances relevant to the Company. As a result, the Company changed its reporting currency from Greek Drachmas (GRD) to Euro (€). Comparative figures in respect of monetary assets and liabilities and profit and loss items were restated from GRD to € at the exchange rate prevailing as at 31 December 2001, GRD 340,75/€

Non-monetary assets and liabilities which represent investments in subsidiary undertakings and share capital were restated from Greek Drachmas (GRD) to Euro (€) at historic rates. The translation difference arising was credited to exchange difference translation reserve, in shareholders' equity and will be transferred to retained earnings upon the disposal of the investments.

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## 17 Other payables

|   | 2006<br>€        | 2005<br>€        |
|---|------------------|------------------|
| Other payables and accrued expenses             | 10,251           | 13,493           |
| Provision for additional cost of investment (1) | 1,070,000        | 1,070,000        |
|   | <u>1,080,251</u> | <u>1,083,483</u> |

(1) Amount represents a provision for additional consideration for the increase in the investment in Balkcem Limited (Note 11(1) and 18).

## 18 Commitments and Contingencies

During 2004, the Company acquired the 49% of the issued share capital of Balkcem Limited from Holcim Auslandbeteiligungs GmbH (Note 11). The purchase agreement provided an additional price complement not to exceed €7,500,000 in seven annual payments, upon the condition that the yearly earnings before interest and tax, discounted back to 2003, of the Balkcem subsidiary, AD Cementarnica, does not fall below €15.870.000. The price complement for 2004 and 2005 of €1,070,000 for each year, were paid in 2005 and 2006 respectively, as the above condition was met. As the yearly earnings before interest and tax for 2006 discounted back to 2003 of the Balkcem subsidiary, AD Cementarnica did not fall below €15,870,000, one seventh of the total complement of €7,5 million is due by the Company for 2006 (Note 17(1)). As the additional price to be paid for the remaining four years cannot be measured reliably, no provision has been made in these financial statements in respect of this matter.

There were no other significant commitments and contingent liabilities at the balance sheet date.

## 19 Related party transactions

The Company is controlled by Titan Cement S.A., incorporated in Greece, which owns 100% of the Company's shares.

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 as such include all companies which are ultimately controlled by a common management.

# Aemos Cement Limited

## 19 Related party transactions (continued)

The following transactions were carried out with related parties:

### (a) Year-end balances arising from financing

|  | Nature of transactions  | 2006<br>€        | 2005<br>€        |
|--|-------------------------|------------------|------------------|
| Receivables from subsidiary undertakings (1) | Financing               | 748,261          | -                |
| Receivables from subsidiary undertaking (2)  | Share capital reduction | 610,928          | 4,436,408        |
| Receivables from fellow group company (3)    | Financing               | 8,331,247        | 3,300,000        |
|  |                         | <u>9,690,436</u> | <u>7,736,408</u> |

(1) Amounts receivable from subsidiary undertaking represent advances of a financing nature which are interest free, unsecured and repayable on demand.

(2) Amounts receivable from subsidiary undertaking relate to a share capital reduction of the subsidiary, effected in 2005. The receivable is unsecured, interest free and repayable on demand

(3) The Company granted a loan facility of €26,000,000 and €3,300,000 to fellow group company out of which €1,500,000 were repaid. Both loans are unsecured, bear an interest rate of 3 % per annum and have no set repayment date.

## 20 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.