

**Balkan Cement Enterprises Limited**

31 December 2007

# **Balkan Cement Enterprises Limited**

## **Report and financial statements 31 December 2007**

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# **Balkan Cement Enterprises Limited**

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

### **Directors**

Stelios Triantafyllides  
Arta Antoniou  
Spyroulla Papaeracleous

### **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

# **Balkan Cement Enterprises 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 2007.

### **Principal activities**

2 The principal activities of the Company, which are unchanged from last year, are that of an investment holding company and the investing and trading in shares including but not limited to any other form of dividend and interest earning shares, bonds, deposit and loans.

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

3 The Company made a profit of €4,028,464 for the year compared to the profit of €7,991,345 in 2006 mainly because of option revaluation of €4,043,748 during the year, in comparison to €8,000,000 in 2006. The financial statements have been prepared on a going concern basis as the immediate parent has undertaken not to call for payment the amount owed to them of €56,426 (2006: €4,100,174) (Note 14(a)) in the next 12 months from the date of this report. The Board of Directors 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 risk or 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 does not recommend the payment of a dividend and the net 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 2007 and at the date of this report are shown on page 1. All of them were members of the Board throughout the year 2007.

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

# **Balkan Cement Enterprises 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**

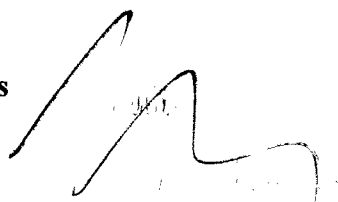
11 The Company did not operate through any branches during the year.

### **Auditors**

12 The auditors of the Company, Messrs Ernst & Young 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 2008

## Independent Auditors' Report

### To the Members of Balkan Cement Enterprises Limited

#### Report on the Financial Statements

We have audited the financial statements of Balkan Cement Enterprises Limited (the "Company") on pages 6 to 21, which comprise the balance sheet as at 31 December 2007, 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 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. 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.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Balkan Cement Enterprises Limited as of 31 December 2007, 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 European Union and the requirements of the Cyprus Companies Law, Cap 113.

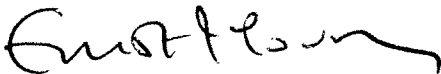
### **Report on Other Legal Requirements**

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.

### **Other Matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Ernst & Young  
Chartered Accountants

Nicosia  
28 February 2008

# Balkan Cement Enterprises Limited

## Income statement for the year ended 31 December 2007

	Note	2007 €	2006 €
Option revaluation	9(2)	4,043,748	8,000,000
Interest income	5	4,198	11,791
Administrative expenses	8	(19,089)	(19,218)
<b>Operating profit</b>		<b>4,028,857</b>	<b>7,992,573</b>
Finance income/ (costs)	6	26	(48)
<b>Profit before tax</b>		<b>4,028,883</b>	<b>7,992,525</b>
Tax	7	(419)	(1,180)
<b>Profit for the year</b>		<b>4,028,464</b>	<b>7,991,345</b>

The notes on pages 10 to 21 are an integral part of these financial statements.



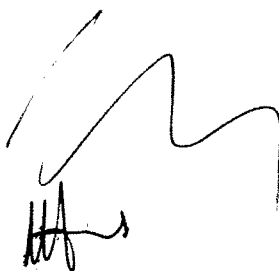
# Balkan Cement Enterprises Limited

## Balance sheet at 31 December 2007

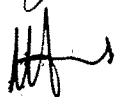
	Note	2007 €	2007 €	2006 €	2006 €
<b>Assets</b>					
<b>Current assets</b>					
Option	9	2,940,000		6,983,748	
Less: Provision for non-recovery of option	9	(2,940,000)	-	(6,983,748)	-
Trade and other receivables	10		-		2,609
Cash and cash equivalents	11		4,499		17,826
<b>Total assets</b>			<b>4,499</b>		<b>20,435</b>
<b>Equity and liabilities</b>					
<b>Capital and reserves</b>					
Share capital	12		294,000		294,000
Share premium	12		2,716,000		2,716,000
Accumulated losses			(3,069,502)		(7,097,966)
			<b>(59,502)</b>		<b>(4,087,966)</b>
<b>Current liabilities</b>					
Other payables	13		64,001		4,108,401
<b>Total equity and liabilities</b>			<b>4,499</b>		<b>20,435</b>

On 28 February 2008 the Board of Directors of Balkan Cement Enterprises Limited authorised these financial statements for issue.

Stelios Triantafyllides, Director



Arta Antoniou, Director



The notes on pages 10 to 21 are an integral part of these financial statements.

# Balkan Cement Enterprises Limited

## Statement of changes in equity for the year ended 31 December 2007

	Share capital €	Share Premium (1) €	Accumulated Losses (2) €	Total €
<b>Balance at 1 January 2006</b>	294,000	2,716,000	(15,089,311)	(12,079,311)
Profit for the year	-	-	7,991,345	7,991,345
<b>Balance at 31 December 2006 / 1 January 2007</b>	294,000	2,716,000	(7,097,966)	(4,087,966)
Profit for the year	-	-	4,028,464	4,028,464
<b>Balance at 31 December 2007</b>	294,000	2,716,000	(3,069,502)	(59,502)

- (1) The share premium is not distributable by way of dividend. It can be used mainly for the issue of bonus shares to the shareholders.
- (2) There is no withholding tax on payments of dividends by the Company to non-resident shareholders or shareholders that are companies resident in Cyprus. Payments of dividends to shareholders that are physical persons resident in Cyprus are subject to a 15% withholding tax.
- 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 as 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 profits 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 the year 2005, there is no special contribution for the defence on deemed distribution.

The notes on pages 10 to 21 are an integral part of these financial statements.

# Balkan Cement Enterprises Limited

## Cash flow statement for the year ended 31 December 2007

	Note	2007 €	2006 €
<b>Cash flows from operating activities</b>			
Profit before tax		4,028,883	7,992,525
Adjustment for:			
Option revaluation	9(2)	(4,043,748)	(8,000,000)
		<u>(14,865)</u>	<u>(7,475)</u>
Changes in working capital:			
Other receivables		2,609	318
Option	9(2)	4,043,748	8,000,000
Other payables		(4,044,400)	(7,998,913)
<b>Cash used in operations</b>		<u>(12,908)</u>	<u>(6,070)</u>
Tax paid	7	(419)	(1,180)
<b>Net cash used in operating activities</b>		<u>(13,327)</u>	<u>(7,250)</u>
<b>Net decrease in cash and bank balances</b>		<u>(13,327)</u>	<u>(7,250)</u>
<b>Cash and bank balances at beginning of year</b>		17,826	25,076
<b>Cash and bank balances at end of year</b>	11	<u><u>4,499</u></u>	<u><u>17,826</u></u>

The notes on pages 10 to 21 are an integral part of these financial statements.

# **Balkan Cement Enterprises 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, 9<sup>th</sup> floor, CY-1505 Nicosia, Cyprus.

#### **Principal activities**

The principal activities of the Company, which are unchanged from last year, are that of an investment holding company and the investing and trading in shares including but not limited to any other form of dividend and interest earning shares, bonds, deposit 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 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113.

#### **New Standards**

As from 1 January 2007, the Company has adopted the following new and amended IFRS and IFRIC Interpretations:

*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*

*IFRIC 9, Reassessment of Embedded Derivatives*

*IFRIC 10, Interim Financial Reporting and Impairment*

Adoption of the above did not have any effect on the financial performance or position of the Group. They did however give rise to additional disclosures. The principal effects of these changes are as follows:

# Balkan Cement Enterprises Limited

## 2 Summary of significant accounting policies (continued)

### Basis of preparation (continued)

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

IFRS 7 requires additional disclosure of qualitative and quantitative information regarding exposure to risks arising from financial instruments. In particular, it specifies minimum disclosures about credit risk, liquidity risk and market risk. IFRS 7 replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation'.

The amendment to IAS 1 introduces disclosures relating to the level of the Group's capital and the Group's objectives, policies and processes for managing capital.

The new disclosures are included throughout the financial statements. Comparative information has been revised where needed.

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

Up to the date of approval of the financial statements, 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 Group has not early adopted, as follows:

#### *Issued by the IASB and adopted by the EU*

IFRS 8, Operating Segments

IFRIC 11, IFRS 2-Group and Treasury Share Transactions

#### *Issued by the IASB but not yet adopted by the EU*

Amendment to IAS 23, Borrowing Costs

IFRIC 12, Service Concession Arrangements

IFRIC 13, Customer Loyalty Programmes

IFRIC14, IAS19- Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to IAS 1 Presentation of Financial Statements

The above are expected to have no impact on the Company's financial statements, other than certain changes to the presentation of its financial statements, as required by the Amendments to IAS1 that are applicable in 2009.

# **Balkan Cement Enterprises Limited**

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

### **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).

### **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 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.

# **Balkan Cement Enterprises Limited**

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

### **Tax (continued)**

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.

### **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.

### **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.

### **Payables to related parties**

Payables to 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 value.

### **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.

# **Balkan Cement Enterprises Limited**

## **3 Financial risk management**

### **(a) Financial risk factors**

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

#### **(i) 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. At balance sheet date, the Company's option prepayment (Note 9) is exposed to such risk. Management of the Company monitors on a continuous basis the level of the credit risk in respect of the option prepayment and makes accordingly the necessary provision for non-recovery.

#### **(ii) 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. At the year end the Company had no significant balances in foreign currencies.

The foreign exchange difference charged to the income statement amounts to €26 gain (2006: €48 loss) and relates to financing activities (Note 6).

#### **(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 and by having available an adequate amount of committed credit facilities.



# Balkan Cement Enterprises Limited

## 3 Financial risk management (continued)

### (iii) Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial liabilities as at the year end.

	On demand €	Less than 3 months €	6 to 12 months €	2007		Total €
				1 to 5 years €	> 5 years €	
Borrowings	-	-	-	-	-	-
Other non current liabilities	-	-	-	-	-	-
Trade and other payables	56,426	7,575	-	-	-	64,001
	<u>56,426</u>	<u>7,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,001</u>
	On demand €	Less than 3 months €	6 to 12 months €	2006		Total €
Borrowings	-	-	-	-	-	-
Other non current liabilities	-	-	-	-	-	-
Trade and other payables	4,100,174	8,227	-	-	-	4,108,401
	<u>4,100,174</u>	<u>8,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,108,401</u>

### (b) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder wealth.

To meet its objectives the Company monitors economic conditions and finances its business by internally generated funds, adjusting dividend payments and return of capital to its shareholder accordingly or issue new shares. In the event of temporary financing needs, the Company is financed by its shareholder and fellow Group Companies.

This policy ensures an optimal capital structure with reduced cost of capital. For the purposes of calculating the cost of capital, capital is considered to be the weighted sum of the Company's equity and debt.

No changes were made in the objectives, policies and processes during the years ended 31 December 2007 and 31 December 2006.

# Balkan Cement Enterprises Limited

## 3 Financial risk management (continued)

### (c) Fair value estimation

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

	Carrying amount		Fair value	
	2007	2006	2007	2006
	€	€	€	€
<b>Financial assets</b>				
Receivables and prepayments	-	2,609	-	2,609
Cash and cash equivalents	4,499	17,826	4,499	17,826
<b>Financial liabilities</b>				
Trade and other payables	64,001	4,108,401	64,001	4,108,401

## 4 Critical accounting estimates and judgments

Estimates and judgments 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.

# Balkan Cement Enterprises Limited

## 4 Critical accounting estimates and judgments (continued)

### (i) Income taxes (continued)

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 2007 or as at 31 December 2006.

### (ii) Recovery of option

The company provided in full for the non-recovery of option costs (Note 9). In making this judgement, the Company evaluated prevailing conditions (Note 9) as at the report date. Should the prevailing condition cease to exist in 2008 then option costs may be partly or fully recoverable.

## 5 Interest income

	2007 €	2006 €
Interest income:		
Bank balances	<u>4,198</u>	<u>11,791</u>

## 6 Finance costs

	2007 €	2006 €
Net foreign exchange transaction gains / (losses )	<u>26</u>	<u>(48)</u>
	<u>26</u>	<u>(48)</u>

# Balkan Cement Enterprises Limited

## 7 Tax

	2007 €	2006 €
Current tax:		
Defence contribution	<u>419</u>	<u>1,180</u>

The Company is subject to Corporation tax on taxable profits at the rate of 10%. The Company had no income tax for the year, due to the option revaluation being non-taxable that resulted in tax losses. At 31 December 2007 the Company had tax losses carried forward CY£44,091 (2006: CY£34,208). Tax losses may be utilised against future taxable profits with no time limitation.

No deferred tax asset has been recognised in the financial statements of the Company, in respect of the tax losses carried forward.

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%.

## 8 Expenses by nature

	2007 €	2006 €
Audit fees	6,289	6,391
Legal fees	2,609	2,927
Accountancy and administrative	9,580	8,440
Sundry expenses	611	1,460
	<u>19,089</u>	<u>19,218</u>

## 9 Option and provision for non-recovery

	2007 €	2006 €
Breitenburger Auslandbeteiligungs Gmb (BAB) –		
Option (1)	2,940,000	6,983,748
Provision for non-recovery (2)	(2,940,000)	(6,983,748)
	<u>-</u>	<u>-</u>

# Balkan Cement Enterprises Limited

## 9 Option and provision for non-recovery (continued)

(1) On 9 January 2003, the Company entered into an agreement to sell the investment acquired in 2002 and 98% of the loan receivable from Sharr Beiteiligungs Gmbh for the carrying amounts of €2,940,000 and €16,543,748 respectively to BAB. On the same date the Company entered into an option agreement to acquire back from BAB the 98% of the share capital and the loan receivable from Sharr Beiteiligungs Gmbh. The Company in 2003 transferred additional funds of €6,860,000 to Sharr Beiteiligungs Gmbh. According to the option agreement any additional funds should be considered as increase in the option price. At 31 December 2003, the total consideration paid for the option was €26,343,748 and was unsecured though guaranteed to be returned in the event that the option is not exercised by the Company.

(2) The Board of Directors of the Company formed the view that a provision was necessary against non-recovery of the option attributed to risks associated with the operations of Sharr Beiteiligungs Gmbh. In this respect, the Board of Directors up to 2004 provided for non-recovery of option a total of €17,088,322 of which €14,508,322 was made in the year 2004 and €2,580,000 in the year 2003. During the year 2005, Sharr Beiteiligungs Gmbh returned to the Company funds of €11,360,000 and the option was revalued to €14,983,748. During the year 2006, Sharr Beiteiligungs Gmbh returned to the Company funds of €8,000,000 reducing the option value to €6,983,748. During the year 2007, Sharr Beiteiligungs Gmbh returned to the Company funds of €4,043,748 reducing the option value to €2,940,000.

The Board of Directors decided to have the remaining option fully provided in view of the fact that Sharr Beiteiligungs Gmbh continues conduct its operations in regions which are subject to risks such as:

- exchange controls
- fluctuations in national currencies
- social and political risk
- national and regional labour disputes
- the difficulty of enforcing legal claims and agreements through some foreign legal systems.

The Board of Directors will continue to monitor the impact of the risks associated with the operations of Sharr Beiteiligungs Gmbh and accordingly increase or decrease the level of the provision against non-recovery of the option.

## 10 Other receivables

	2007	2006
	€	€
Prepayments	-	2,609
	<u>          </u>	<u>          </u>

# Balkan Cement Enterprises Limited

## 11 Cash and cash equivalents

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

	2007 €	2006 €
Cash at bank	<u>4,499</u>	<u>17,826</u>

## 12 Share capital and share premium

	Number of shares	Issued Share capital €	Share premium €	Total €
At 1 January 2006/2007 and at 31 December 2006/2007	<u>294 000</u>	<u>294,000</u>	<u>2,716,000</u>	<u>3,010,000</u>

The total authorized number of ordinary shares is 590 000 shares with a par value of €1 per share. All issued shares are fully paid.

## 13 Other payables

	Note	2007 €	2006 €
Payables to related party	14 (a)	56,426	4,100,174
Other payables		3,252	3,851
Accrued expenses		4,323	4,376
		<u>64,001</u>	<u>4,108,401</u>

## 14 Related party transactions

The immediate parent of the Company is Themis Holdings Limited, a company incorporated in Cyprus, which owns 100% of the Company's shares. The Company's ultimate controlling party is Titan Cement S.A, in Greece, which owns 51% of Themis Holdings Limited.

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 other party in making financial or operating decisions and as such include all companies which are ultimately controlled by a common management.

# Balkan Cement Enterprises Limited

## 14 Related party transactions (continued)

The following transactions were carried out with related parties:

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

	Nature of transaction	2007 €	2006 €
Payable to holding company (i)	Financing	<u>56,426</u>	<u>4,100,174</u>

- (i) This amount represents advances of a financing nature by the Company's holding company with no set date of repayment or interest accruing.

## 15 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.

## 16 Commitments and Contingencies

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