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**AEMOS CEMENT LIMITED**

REPORT AND FINANCIAL STATEMENTS  
31 December 2010



# **AEMOS CEMENT LIMITED**

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## **REPORT AND FINANCIAL STATEMENTS** 31 December 2010

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# **AEMOS CEMENT LIMITED**

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## **BOARD OF DIRECTORS AND OTHER OFFICERS**

**Board of Directors:**

Arta Antoniou  
Spyroulla Papaeracleous  
Stelios Triantafillides

**Company Secretary:**

A.T.S. Services Limited  
2-4 Arch. Makarios III Avenue  
Capital Center, 9th Floor  
CY-1505 Nicosia, Cyprus

**Registered office:**

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

# AEMOS CEMENT LIMITED

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## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2010.

### **Principal activities**

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 current position, future developments and significant risks**

The Company made a profit for the year 2010 of €47,624,644 compared to the profit of €78,452,977 made in 2009. The decrease was due to lower dividend income in 2010 €44,563,000 (2009:€76,929,708). The net assets of the Company as at 31 December 2010 were €489,128,308 compared to €441,503,664 in 2009. The Board of Directors does not expect any significant changes in the activities of the Company in the foreseeable future.

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

### **Results and Dividends**

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

### **Share capital**

There were no changes in the share capital of the Company during the year under review.

### **Board of Directors**

The members of the Company's Board of Directors as at 31 December 2010 and at the date of this report are presented on page 1. All of them were members of the Board throughout the year ended 31 December 2010.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

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

### **Events after the reporting period**

Any significant events that occurred after the end of the reporting period are described in note 19 to the financial statements.

### **Independent Auditors**

The Independent Auditors, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office and 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 of Directors,

  
Stelios Triantafyllides  
Director

Nicosia, Cyprus, 21 April 2011

## **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 5 to 20 which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

The Company's Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's 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 of financial statements that give a true and fair view 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 Aemos Cement Limited as at 31 December 2010, 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 and Regulatory Requirements**

Pursuant to the requirements of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts, 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 Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on page 2 is consistent with the financial statements.

### **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 34 of the Law of 2009 on Statutory Audits of Annual and Consolidated Accounts 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.



Gabriel Onisiforou  
Certified Public Accountant and Registered Auditor  
for and on behalf of

**Ernst & Young Cyprus Limited**  
Certified Public Accountants and Registered Auditors

Nicosia  
21 April 2011

# AEMOS CEMENT LIMITED

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## STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 €	2009 €
<b>Revenue</b>			
Dividend income		<u>44.563.000</u>	<u>76.929.708</u>
Other income	5	53.960	252.147
Net loss from investing activities	6	(350.000)	(1.550.000)
Administration expenses		<u>(375.890)</u>	<u>(583.832)</u>
<b>Operating profit</b>	7	<u>43.891.070</u>	<u>75.048.023</u>
Net finance income	8	<u>4.106.595</u>	<u>3.778.362</u>
<b>Profit before tax</b>		<u>47.997.665</u>	<u>78.826.385</u>
Tax	9	<u>(373.021)</u>	<u>(373.408)</u>
<b>Net profit for the year</b>		<u>47.624.644</u>	<u>78.452.977</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<u>47.624.644</u>	<u>78.452.977</u>

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The notes on pages 9 to 20 form an integral part of these financial statements.


# AEMOS CEMENT LIMITED


## STATEMENT OF FINANCIAL POSITION

31 December 2010

	Note	2010 €	2009 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	10	<b>283.188.433</b>	238.268.583
Non-current loans receivable	15.1	<b>216.120.000</b>	82.470.000
		<b><u>499.308.433</u></b>	<u>320.738.583</u>
<b>Current assets</b>			
Trade and other receivables	11	<b>389.098</b>	122.791.449
Refundable taxes		<b>156.030</b>	34.582
Cash and cash equivalents	12	<b>542.211</b>	202.978
		<b><u>1.087.339</u></b>	<u>123.029.009</u>
<b>Total assets</b>		<b><u>500.395.772</u></b>	<u>443.767.592</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	<b>114.729</b>	114.729
Share premium		<b>113.054.397</b>	113.054.397
Other reserves		<b>90.984</b>	90.984
Retained earnings		<b>375.868.198</b>	328.243.554
<b>Total equity</b>		<b><u>489.128.308</u></b>	<u>441.503.664</u>
<b>Non-current liabilities</b>			
Trade and other payables	14	-	1.070.000
		-	1.070.000
<b>Current liabilities</b>			
Trade and other payables	14	<b>11.076.533</b>	1.191.071
Current tax liabilities		<b>190.931</b>	2.857
		<b><u>11.267.464</u></b>	<u>1.193.928</u>
<b>Total liabilities</b>		<b><u>11.267.464</u></b>	<u>2.263.928</u>
<b>Total equity and liabilities</b>		<b><u>500.395.772</u></b>	<u>443.767.592</u>

On 21 April 2011 the Board of Directors of Aemos Cement Limited authorised these financial statements for issue.

  
Stelios Triantafyllides  
Director

  
Arta Antoniou  
Director

The notes on pages 9 to 20 form an integral part of these financial statements.



# AEMOS CEMENT LIMITED

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

Note	Share capital €	Share premium €	Translation reserve €	Retained earnings €	Total €
<b>Balance - 1 January 2009</b>	<b>114.729</b>	<b>113.054.397</b>	<b>90.984</b>	<b>249.790.577</b>	<b>363.050.687</b>
<b>Comprehensive income</b>					
Net profit for the year	-	-	-	78.452.977	78.452.977
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	78.452.977	78.452.977
<b>Balance at 31 December 2009/ 1 January 2010</b>	<b>114.729</b>	<b>113.054.397</b>	<b>90.984</b>	<b>328.243.554</b>	<b>441.503.664</b>
<b>Comprehensive income</b>					
Net profit for the year	-	-	-	47.624.644	47.624.644
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	47.624.644	47.624.644
<b>Balance at 31 December 2010</b>	<b>114.729</b>	<b>113.054.397</b>	<b>90.984</b>	<b>375.868.198</b>	<b>489.128.308</b>

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

Translation reserve is explained in Note 16 to the financial statements.

The notes on pages 9 to 20 form an integral part of these financial statements.

# AEMOS CEMENT LIMITED

## STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2010 €	2009 €
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>47.997.665</b>	78.826.385
Adjustments for:			
Impairment charge - investments in subsidiaries	10	<b>350.000</b>	1.550.000
Dividend income	8	<b>(44.563.000)</b>	(76.929.708)
Interest expense	8	<b>263</b>	433
Loan interest income	8	<b>(4.024.834)</b>	(3.647.728)
<b>Cash flows used in operations before working capital changes</b>		<b>(239.906)</b>	(200.618)
Decrease in trade and other receivables		<b>122.402.351</b>	2.891.357
Increase / (decrease) in trade and other payables		<b>8.815.462</b>	(963.276)
<b>Cash flows from operations</b>		<b>130.977.907</b>	1.727.463
Dividends received		<b>44.563.000</b>	76.929.708
Tax paid		<b>(306.395)</b>	(407.856)
<b>Net cash flows from operating activities</b>		<b>175.234.512</b>	78.249.315
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Share premium reduction in subsidiaries		-	2.474.073
Payment for purchase of investments in subsidiaries	10	<b>(45.269.850)</b>	(5.439.628)
Loans granted net		<b>(133.279.622)</b>	(82.470.000)
Loan interest received		<b>3.654.456</b>	3.647.728
<b>Net cash flows used in investing activities</b>		<b>(174.895.016)</b>	(81.787.827)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest paid		<b>(263)</b>	(433)
<b>Net cash flows used in financing activities</b>		<b>(263)</b>	(433)
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>339.233</b>	(3.538.945)
Cash and cash equivalents:			
At beginning of the year		<b>202.978</b>	3.741.923
<b>At end of the year</b>	12	<b>542.211</b>	202.978

The notes on pages 9 to 20 form an integral part of these financial statements.

# **AEMOS CEMENT LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2010

### **1. Incorporation and principal activities**

#### **Country of incorporation**

The Company Aemos Cement Limited was incorporated in Cyprus on 9 March 1998 as a limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at 2-4 Arch. Makarios III Avenue, Capital Center, 9th Floor, CY-1505 Nicosia, Cyprus.

#### **Principal activities**

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.

### **2. 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. The financial statements have been prepared under the historical cost convention.

These financial statements are the separate parent financial statements of the Company. 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 and Separate Financial Statements" 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.

#### **Adoption of new and revised IFRSs**

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has all adopted the new and amended IFRS and IFRIC interpretations that are effective as of 1 January 2010. The adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

#### **Subsidiary companies**

Subsidiaries include all companies that are controlled 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

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 2. Accounting policies (continued)

#### Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **Interest income**

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

- **Dividend income**

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

#### Foreign currency translation

- (1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

- (2) 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 statement of comprehensive income.

#### Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets 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 reporting 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. Currently enacted tax rates are used in the determination of deferred tax.

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

The Company classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, 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.

# AEMOS CEMENT LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 2. Accounting policies (continued)

#### Financial instruments (continued)

##### Investments (continued)

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held at fair value through profit and loss and those designated at fair value through profit or loss at inception. A financial asset is classified in the held at fair value through profit and loss category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held at fair value through profit and loss or are expected to be realised within twelve months from the reporting date.

- Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity that the Management has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Company, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the reporting date, which are classified as current assets.

- Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless Management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

- 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.

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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

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 statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and then in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income.

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 valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

# AEMOS CEMENT LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 2. Accounting policies (continued)

#### Financial instruments (continued)

##### Investments (continued)

The Company assesses at each reporting 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 statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

##### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

#### Share capital

Ordinary shares are classified as equity.

#### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects 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.

#### 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.

#### Comparatives

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

### 3. Financial risk management

#### Financial risk factors

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

##### 3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

# AEMOS CEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 3. Financial risk management (continued)

#### 3.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

#### 3.3 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.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2010	Carrying amounts	Contractual cash flows	3 months or less	Between 3-12 months	Between 1-5 years
	€	€	€	€	€
Trade and other payables	<u>11.076.532</u>	<u>9.995.615</u>	<u>10.917</u>	<u>1.070.000</u>	-
	<u>11.076.532</u>	<u>9.995.615</u>	<u>10.917</u>	<u>1.070.000</u>	-

31 December 2009	Carrying amounts	Contractual cash flows	3 months or less	Between 3-12 months	Between 1-5 years
	€	€	€	€	€
Other non current liabilities	1.070.000	-	-	-	1.070.000
Trade and other payables	<u>1.191.071</u>	<u>112.244</u>	<u>8.827</u>	<u>1.070.000</u>	-
	<u>2.261.071</u>	<u>112.244</u>	<u>8.827</u>	<u>1.070.000</u>	<u>1.070.000</u>

Despite the fact that as of 31 December 2010 current liabilities exceeded current assets by €10,180,125, management believe that there is no liquidity risk arising from this fact as the management of the treasury function is performed at the ultimate holding, Titan Cement S.A, group level.

#### 3.4 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. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

#### 3.5 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

#### Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

### 4. Critical accounting estimates and judgements

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.

# AEMOS CEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 4. Critical accounting estimates and judgements (continued)

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:

- **Income taxes**

Significant judgement 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.

- **Impairment of non-financial assets**

The Company periodically evaluates the recoverability of non-financial assets such as investments in subsidiaries, whenever indicators of impairment are present. Indicators of impairment include such items as declines in market values, revenues, earnings, cash flows or net asset value which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that non-financial assets may be impaired, the estimated future discounted cash flows associated with these assets would be compared to their carrying amounts to determine if a write-down to the income statement is necessary.

### 5. Other income

	2010	2009
	€	€
Amounts written off	<u>53.960</u>	<u>252.147</u>
	<u>53.960</u>	<u>252.147</u>

The amount of €53.960 (2009: €252.147) represents amounts written off with related parties.

### 6. Net loss from investing activities

	2010	2009
	€	€
Impairment charge - investments in subsidiaries (Note 10)	<u>(350.000)</u>	<u>(1.550.000)</u>
	<u>(350.000)</u>	<u>(1.550.000)</u>

### 7. Operating profit

	2010	2009
	€	€
Operating profit is stated after charging the following items:		
Directors' fees	-	-
Auditors' remuneration	<u>7.705</u>	<u>7.590</u>



# AEMOS CEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 8. Finance income / cost

	2010	2009
	€	€
Loan interest income (Note 15)	4.024.834	3.647.728
Bank interest income	37.646	53.322
Loan interest commitment fee	43.690	70.765
Net foreign exchange transaction gains	242	6.980
Interest income	498	-
<b>Finance income</b>	<b>4.106.910</b>	<b>3.778.795</b>
Net foreign exchange transaction losses	52	-
Interest expense	263	433
<b>Finance costs</b>	<b>315</b>	<b>433</b>
<b>Net finance income</b>	<b>4.106.595</b>	<b>3.778.362</b>

### 9. Tax

#### 9.1 Tax recognised in profit or loss

	2010	2009
	€	€
Corporation tax - current year	369.256	369.337
Corporation tax - prior years	-	(308)
Defence contribution - current year	3.765	4.379
Charge for the year	<b>373.021</b>	<b>373.408</b>

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

	2010	2009
	€	€
Profit before tax	47.997.665	78.826.385
Tax calculated at the applicable tax rates	4.799.767	7.882.639
Tax effect of expenses not deductible for tax purposes	35.052	210.140
Tax effect of allowances and income not subject to tax	(4.465.563)	(7.723.442)
Defence contribution current year	3.765	4.379
Prior year tax	-	(308)
Tax charge	<b>373.021</b>	<b>373.408</b>

#### 9.2 Tax recognised in other comprehensive income

	2010	2009
	€	€
<b>Total income tax recognised in other comprehensive income</b>	<b>-</b>	<b>-</b>

The corporation tax rate is 10%.

Under certain conditions interest income may be subject to defence contribution at the rate of 10%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

# AEMOS CEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 10. Investments in subsidiaries

	<b>2010</b>	2009
	€	€
On 1 January	<b>238.268.583</b>	236.853.028
Additions	<b>45.269.850</b>	2.965.555
Impairment charge	<b>(350.000)</b>	(1.550.000)
<b>Balance at 31 December</b>	<b><u>283.188.433</u></b>	<u>238.268.583</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<b>2010</b> Holding %	2009 Holding %	<b>2010</b> €	2009 €
Tithys Limited	Cyprus	Holding Company	100	100	<b>56.773.830</b>	56.773.830
Balkcem Limited	Cyprus	Holding Company	100	100	<b>27.033.905</b>	27.033.905
Rea Cement Limited	Cyprus	Holding Company	100	100	<b>65.501.726</b>	65.501.726
Alvacim Limited (1)	Cyprus	Holding Company	100	100	<b>88.530.619</b>	87.967.619
Feronia Limited	Cyprus	Holding Company	100	100	<b>256.900</b>	256.900
Titan Cement Cyprus Ltd	Cyprus	Holding Company	100	100	<b>85.639</b>	85.639
Kocem Ltd (2)	Cyprus	Holding Company	-	100	-	67.066
Themis Holdings Ltd (3)	Cyprus	Holding Company	100	51	<b>1.026.027</b>	523.336
Star Silo Co Doo	Belgrade	Dormant Company	100	100	<b>600</b>	600
Dancem ApS (4)	Denmark	Holding Company	100	100	<b>3.457.962</b>	57.962
Terret Enterprises Ltd (5)-Class A shares	Cyprus	Holding	58,89	-	<b>20.521.225</b>	-
Terret Enterprises Ltd (5) Class B shares	Cyprus	Holding	100	-	<b>20.000.000</b>	-
Cementi Crotona SRL (6)	Italy	Import & Distribution of cement	100	100	-	-
					<b><u>283.188.433</u></b>	<u>238.268.583</u>

(1) During 2010 the investment in Alvacim Limited was increased by €563,000 by the issuance of additional shares.

(2) During the year, the Company disposed its 100% of shareholding in Kocem Limited to Titan Egyptian Investments for consideration of €67.066, realising no gain/ loss.

(3) During the year, the Company acquired the remaining 48.994% of the share capital of Themis Holdings Limited from Holcim Auslandsbeteiligungs GmbH, a non related party for €502.691, being the nominal value of the share capital.

(4) During the year, the investment in Dancem ApS was increased by €3,400,000 by the issuance of additional shares.

# AEMOS CEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

(5) On 1 January 2010, the Company acquired 3 825 Class A shares of Terret Enterprises Limited for an amount of €3.825. On 25 June 2010, the Company acquired 3 825 newly issued Class A shares of total value €2,417,400. On 21 December 2010, the Company acquired additional 85 624 newly issued Class A shares for a total of consideration €27,100,000 thereby increasing its shareholding to 84,72%. On 21 December 2010, the Company acquired 2 500 Class B shares at a consideration of €20,000,000, out of which €10,000,000 are conditional subject to subsidiary meeting certain conditions and business development targets. On the same date, the Company disposed 28 436 Class A shares, representing 25,838% shareholding in Terret Enterprises Limited for a consideration of €9,000,000, being the nominal value of shares to an unrelated party, thus realising no gain/ loss.

(6) During the year 2009, the Company acquired 100% of the share capital of Cementi Crotone SRL, incorporated in Italy for €1.550.000. A full impairment was made as at 31 December 2009. During the year, the investment in Cementi Crotone SRL was increased by €350.000 due to the issuance of additional shares. A full impairment was made during the year due to the financial position at the subsidiary.

### 11. Trade and other receivables

	2010	2009
	€	€
Receivables from own subsidiaries (Note 15.3)	<b>159</b>	-
Receivables from related companies (Note 15.3)	<b>16.261</b>	3.005
Loans receivable from related parties (Note 15.1)	<b>370.378</b>	122.786.144
Other receivables	<b>2.300</b>	2.300
	<b><u>389.098</u></b>	<u>122.791.449</u>

### 12. Cash and cash equivalents

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2010	2009
	€	€
Cash at bank	<b><u>542.211</u></b>	<u>202.978</u>
	<b><u>542.211</u></b>	<u>202.978</u>

Cash at bank represents current and fixed deposit accounts denominated in Euro and US Dollar and earn interest at the effective rate of 2-3% per annum (2009: 5%).

### 13. Share capital

	2010	2010	2009	2009
	Number of shares	€	Number of shares	€
<b>Authorised</b>				
Ordinary shares of €1,71 each	<b><u>70.000</u></b>	<b><u>118.332</u></b>	<u>70.000</u>	<u>118.332</u>
<b>Issued and fully paid</b>				
On 1 January	<b><u>67.093</u></b>	<b><u>114.729</u></b>	<u>67.093</u>	<u>114.729</u>
<b>Balance at 31 December</b>	<b><u>67.093</u></b>	<b><u>114.729</u></b>	<u>67.093</u>	<u>114.729</u>

# AEMOS CEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 14. Trade and other payables

	2010	2009
	€	€
Accruals	5.637	5.636
Other creditors	11.070.896	2.143.190
Payables to own subsidiaries (Note 15.2)	-	54.284
Payables to related companies (Note 15.2)	-	57.961
	<u>11.076.533</u>	<u>2.261.071</u>

Other creditors include a provision for additional consideration for acquiring the investment in Balkcem Limited in the amount of €1,070,000 (Note 17) (€2,140,000 in 2009) and in the amount of €9,995,615 for the acquisition of shares in Terret Enterprises Limited (Note 10.5).

### 15. Related party transactions

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

The following transactions were carried out with related parties:

#### 15.1 Loans due from related parties (Note 11)

	2010	2009
	€	€
Balance brought forward	205.256.144	125.644.532
Loan given	31.700.000	97.970.000
Loan repayment	(24.490.600)	(22.006.116)
Interest charge	4.024.834	3.647.728
Balance carried forward	<u>216.490.378</u>	<u>205.256.144</u>
Due within one year	370.378	122.786.144
Due after one year	<u>216.120.000</u>	<u>82.470.000</u>
Total	<u>216.490.378</u>	<u>205.256.144</u>

(1) On 20 June 2008 the Company granted a loan facility of €38,500,000 to Titan Global Finance Plc, a company under common control. The loan is unsecured, bears an interest rate of Euribor plus 1,3 % per annum and had to be repaid by 20 June 2010. The interest income for the year was €661,177 out of which €723,438 was repaid (2009: €909,833 out of which €997,271 was repaid). On 1 December 2010 the balance of the loan in the amount of €38,500,000 has been transferred to a new loan facility with Titan Global Finance Plc (note 15.1.8).

(2) On 12 November 2008 the Company granted a loan facility of €64,000,000 to Titan Global Finance Plc. The loan is unsecured, bears an interest rate of Euribor plus 1,3 % per annum and had to be repaid by 12 November 2010. The interest income for the year was €1,099,099 out of which €1,202,598 was repaid (2009: €1,530,431 out of which €1,713,028 was repaid). On 1 December 2010 the balance of the loan in the amount of €64,000,000 has been transferred to a new loan facility with Titan Global Finance Plc (note 15.1.8).

(3) On 22 December 2008 the Company granted a loan facility of €25,000,000 (out of which €5,000,000 was repaid) to Titan Global Finance Plc. The loan is unsecured, bears an interest rate of Euribor plus 1,3 % per annum and had to be repaid by 22 December 2010. The interest income for the year was €343,468 out of which €375,812 was repaid (2009: €507,624 out of which €479,892 was repaid). On 1 December 2010 the balance of the loan in the amount of €20,000,000 has been transferred to a new loan facility with Titan Global Finance Plc (note 15.1.8).

# AEMOS CEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

### 15.1 Loans due from related parties (Note 11) (continued)

(4) On 24 March 2009 the Company granted a loan facility of €61,500,000 to Titan Global Finance Plc (out of which €12,200,000 has been repaid). The loan is unsecured, bears an interest rate of Euribor plus 1,3 % per annum and has to be repaid by 23 March 2012. The interest income for the year was €1,029,773 out of which €1,115,110 was repaid (2009: €685,158 out of which €599,820 was repaid). On 1 December 2010 the balance of the loan in the amount of €60,000,000 has been transferred to a new loan facility with Titan Global Finance Plc (note 15.1.8).

(5) On 29 June 2009 the Company granted a loan facility of €10,000,000 to Titan Global Finance Plc. The loan is unsecured, bears an interest rate of Euribor plus 1,3 % per annum and has to be repaid by 29 June 2012. The interest income for the year was €149,809 out of which was repaid €151,282 (2009: €4,145 out of which was repaid €2,673). On 1 December 2010 the balance of the loan in the amount of €10,000,000 has been transferred to a new loan facility with Titan Global Finance Plc (note 15.1.8).

(6) On 22 December 2009 the Company granted a loan facility of €20,000,000 to Titan Global Finance Plc. The amounts drawn were 20,000,000. The loan is unsecured, bears an interest rate of Euribor plus 1,30 % per annum and has to be repaid by 22 December 2011. The interest income for the year was €284,395 out of which €285,626 was repaid (2009: €1,232 out of €NIL was repaid). On 1 December 2010 the balance of the loan in the amount of €20,000,000 has been transferred to a new loan facility with Titan Global Finance Plc (note 15.1.8).

(7) On 23 June 2010 the Company granted a loan facility of €15,000,000 to Titan Global Finance Plc. The amounts drawn were €12,370,000. The loan is unsecured, bears an interest rate of Euribor plus 1,30 % per annum and has to be repaid by 23 June 2013. The interest income for the period was €80,981 which was repaid in full. On 1 December 2010 the balance of the loan in the amount of €12,370,000 has been transferred to a new loan facility with Titan Global Finance Plc (note 15.1.8).

(8) On 1 December 2010, the Company entered into a new loan facility €250,000,000 for consolidation of the above loans with Titan Global Finance Plc. The total principal utilised from the above loans were €224,870,000. Up to 31 December 2010 additional amounts drawn were €28,250,000 and repaid €37,000,000. The loan is unsecured, bears an interest rate of Euribor plus 1,30 % per annum and has to be repaid by 30 June 2013. The interest income for the period was €370,378.

(9) On 26 February 2010, the Board of Directors of the Company resolved to grant a loan facility of €200,000 to Terret Enterprises Limited which was repaid in full during the year. The loan was unsecured, bore an interest rate of Euribor plus 1,3 % per annum. The total interest for the year is €1,369 which was repaid in full.

(10) On 26 October 2010, the Company granted a loan facility of €1,000,000 to Devolli Group which was repaid in full through a set off agreement dated 21 December 2010. The loan was unsecured and bore an interest rate of 1 year Euribor plus 1,3 % per annum. The total interest for the year is €4,385 which was repaid in full.

### 15.2 Payables to related parties (Note 14)

Name	Nature of transactions	2010 €	2009 €
Payables to related party	Investing	-	57.961
Payables to related party	Finance	-	54.284
		<u>-</u>	<u>112.245</u>

### 15.3 Receivables from related companies (Note 11)

	Terms	2010 €	2009 €
Receivable from related company	Trading	16.261	3.005
Receivable from own subsidiary	Finance	159	-
		<u>16.420</u>	<u>3.005</u>

# **AEMOS CEMENT LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2010

### **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.

### **17. Contingent liabilities**

During 2004, the Company acquired the 49% of the issued share capital of Balkcem Limited from Holcim Auslandsbeteiligungs GmbH (Note 10). 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, 2005, 2006, 2007, 2008 and 2009 of €1,070,000 for each year, were paid in 2005, 2006, 2007, 2008, 2009 and 2010 respectively, as the above condition was met. As the yearly earnings before interest and tax for the next year of the subsidiary, AD Cementarnica are not expected to fall below €15,870,000, the additional price component for the year 2010 totalling €1,070,000 was provided at the reporting date (Note 14).

### **18. Commitments**

On 1 December 2010, the Company entered into a new loan facility €250,000,000 for consolidation of various loans with Titan Global Finance Plc. (see Note 15.1). The total principal utilised from the above loans were €224,870,000. Up to 31 December 2010 additional amounts drawn were €28,250,000 and repaid €37,000,000. The remaining balance of the principal amount of the loan is €33,880,000 (see Note 15.8).

The Company had no capital or other additional commitments as at 31 December 2010/ 2009.

### **19. Events after the reporting period**

There were no other material post statement of financial position events, which have a bearing on the understanding of the financial statements.

**Independent Auditor's report on pages 3 and 4**