

OFFICE COPY

REA CEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2010

REA CEMENT LIMITED

REPORT AND FINANCIAL STATEMENTS 31 December 2010

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REA CEMENT LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Stelios Triantafyllides
Spyroulla Papaeracleous
Arta Antoniou

Company Secretary:

A.T.S. Services Limited
2-4 Arch. Makarios Avenue III
CY-1065 Nicosia
Cyprus

Registered office:

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

REA CEMENT LIMITED

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 instruments 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's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The Company's principal risks or uncertainties are shown in note 3.

Results

The Company's results for the year are set out on page 5. As at 31 December 2010 the Company reported loss amounting to €16.497 compared to profit of €20.227.946 in 2009. The decrease was mainly due to the fact that no dividends were received in 2010 compared to 2009 where dividends received amounted to €20.232.929.

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

There were no material events after the reporting period, which have a bearing on the understanding of 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, 21 April 2011

Independent Auditor's Report

To the Members of Rea Cement Limited

Report on the Financial Statements

We have audited the financial statements of Rea Cement Limited (the "Company") on pages 5 to 15, 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 Rea 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.

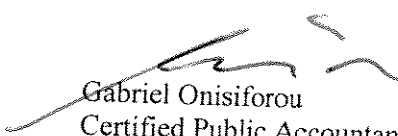
Report on Other Legal and Regulatory Requirements

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

REA CEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

	Note	2010 €	2009 €
Net profit from investing activities	5	3,502	20,245,743
Administration expenses	6	(19,722)	(16,317)
(Loss)/ profit before tax		(16,220)	20,229,426
Tax			
Net (loss) / profit for the year	7	(277)	(1,480)
		(16,497)	20,227,946
Other comprehensive income		-	-
Total comprehensive income for the year		(16,497)	20,227,946

The notes on pages 9 to 15 form an integral part of these financial statements.


REA CEMENT LIMITED

STATEMENT OF FINANCIAL POSITION 31 December 2010

	Note	2010 €	2009 €
ASSETS			
Non-current assets			
Investments in subsidiaries	9	<u>65,807,373</u>	65,807,373
		<u>65,807,373</u>	65,807,373
Current assets			
Trade and other receivables	10	1,150	1,150
Refundable taxes		1,462	7,476
Cash at bank and in hand	11	<u>142,163</u>	151,092
		<u>144,775</u>	159,718
Total assets		<u>65,952,148</u>	65,967,091
EQUITY AND LIABILITIES			
Equity			
Share capital	12	67,555	67,555
Share premium		65,433,500	65,433,500
Retained earnings		443,156	459,653
Total equity		<u>65,944,211</u>	65,960,708
Current liabilities			
Trade and other payables	13	<u>7,937</u>	6,383
		<u>7,937</u>	6,383
Total equity and liabilities		<u>65,952,148</u>	65,967,091

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


Stelios Triantafyllides
Director


Spyroulla Papaeracleous
Director

The notes on pages 9 to 15 form an integral part of these financial statements.

REA CEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

	Note	Share capital €	Share premium €	Retained earnings €	Total €
Balance - 1 January 2009		67,555	66,433,500	131,707	66,632,762
Comprehensive income					
Net profit for the year		-	-	20,227,946	20,227,946
Transactions with owners					
Dividends	8	-	-	(19,900,000)	(19,900,000)
Share premium reduction		-	(1,000,000)	-	(1,000,000)
Balance at 31 December 2009		67,555	65,433,500	459,653	65,960,708
Net loss for the year		-	-	(16,497)	(16,497)
Balance at 31 December 2010		67,555	65,433,500	443,156	65,944,211

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. For the year 2008 there is no special defence contribution on deemed distribution.

The notes on pages 9 to 15 form an integral part of these financial statements.

REA CEMENT LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2010

	Note	2010 €	2009 €
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/ profit before tax		(16,220)	20,229,426
Adjustments for:			
Dividend income	5	-	(20,232,929)
Interest income	5	(3,502)	(14,800)
Cash flows used in operations before working capital changes		(19,722)	(18,303)
(Increase) in trade and other receivables		-	141
Increase / (decrease) in trade and other payables		1,554	(6,369)
Cash flows used in operations		(18,168)	(24,531)
Dividends received		-	20,232,929
Tax paid		-	(1,480)
Tax refunded		5,737	-
Net cash flows (used in) / from operating activities		(12,431)	20,206,918
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,502	14,800
Dividends received		-	20,232,929
Net cash flows from investing activities		3,502	20,247,729
CASH FLOWS FROM FINANCING ACTIVITIES			
Share premium reduction		-	(1,000,000)
Dividends paid		-	(19,900,000)
Net cash flows from financing activities		-	(20,900,000)
Net decrease in cash and cash equivalents		(8,929)	(678,282)
Cash and cash equivalents:			
At beginning of the year		151,092	829,374
At end of the year	11	142,163	151,092

The notes on pages 9 to 15 form an integral part of these financial statements.

REA CEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. Incorporation and principal activities

Country of incorporation

The Company Rea Cement Limited was incorporated in Cyprus on 8 of March 2001 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-1065 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 instruments 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.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

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 adopted all 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 Company.

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.

Consolidated financial statements

These financial statements are 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.

REA CEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

2. Accounting policies (continued)

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.

Revenue recognition

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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Interim dividends are recognised in equity in the year in which they are paid. Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

REA CEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

2. Accounting policies (continued)

Cash and cash equivalents

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

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 company

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

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 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 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 balance sheet date. The Company has no significant exposure to credit risk as most of its receivables are with related parties.

3.2 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	3 months or less
	€	€
Trade and other payables	<u>7,936</u>	<u>7,936</u>
	<u>7,936</u>	<u>7,936</u>

REA CEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

3. Financial risk management (continued)

3.2 Liquidity risk (continued)

31 December 2010

Trade and other payables

Carrying amounts	3 months or less
€	€
<u>6,386</u>	<u>6,386</u>
<u>6,386</u>	<u>6,386</u>

3.3 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.

3.4 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.

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 statement of comprehensive income is necessary.

REA CEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

5. Profit from investing activities

	2010	2009
	€	€
Interest income	3,502	14,800
Exchange profit	-	(1,986)
Dividend income	-	20,232,929
	<u>3,502</u>	<u>20,245,743</u>

6. Administration expenses

	2010	2009
	€	€
Directors' fees	-	-
Auditors' remuneration	6,383	6,268
Other administration expenses	13,339	10,049
Total administration expenses	<u>19,722</u>	<u>16,317</u>

7. Tax

7.1 Tax recognised in profit or loss

	2010	2009
	€	€
Defence contribution - current year	277	1,480
Charge for the year	<u>277</u>	<u>1,480</u>

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

	2010	2009
	€	€
(Loss)/ profit before tax	<u>(16,220)</u>	<u>20,229,426</u>
Tax calculated at the applicable tax rates	(1,622)	2,022,943
Tax effect of expenses not deductible for tax purposes	7	-
Tax effect of allowances and income not subject to tax	(352)	(2,024,773)
Tax effect of tax loss for the year	1,967	1,830
Defence contribution current year	277	1,480
Tax charge	<u>277</u>	<u>1,480</u>

7.2 Tax recognised in other comprehensive income

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

The Company is subject to corporation tax on its taxable profits at the rate of 10%. As at 31 December 2010 the Company had tax losses carried forward of €37,971 (2009:€16,315) which can be carried forward and be utilized against future taxable profits with no time limitation.

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%.

REA CEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

8. Dividends

	2010	2009
	€	€
Interim dividend paid	-	19,900,000
	<u>-</u>	<u>19,900,000</u>

9. Investments in subsidiaries

	2010	2009
	€	€
On 1 January	<u>65,807,373</u>	65,807,373
Balance at 31 December	<u>65,807,373</u>	<u>65,807,373</u>

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Holding %	2010	2009
				€	€
Zlatna Panega Cement AD	Bulgaria	Production of Cement	99,9	<u>65,525,827</u>	65,525,827
Granitoid AD	Bulgaria	Trading Company	91,26	<u>281,546</u>	281,546
				<u>65,807,373</u>	<u>65,807,373</u>

10. Trade and other receivables

	2010	2009
	€	€
Other receivables	<u>1,150</u>	1,150
	<u>1,150</u>	<u>1,150</u>

11. 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 and in hand	<u>142,163</u>	151,092
	<u>142,163</u>	<u>151,092</u>

Cash at bank represents current and fixed deposit accounts denominated in Euro and carry annual interest from 1,0% to 1,5% respectively.

12. Share capital

	2010	2010	2009	2009
	Number of shares	€	Number of shares	€
Authorised				
Ordinary shares of €1,71 each	<u>40,000</u>	<u>68,400</u>	40,000	68,400
Issued and fully paid				
On 1 January	<u>39,506</u>	<u>67,555</u>	39,506	67,555
Balance at 31 December	<u>39,506</u>	<u>67,555</u>	<u>39,506</u>	<u>67,555</u>

REA CEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

13. Trade and other payables

	2010	2009
	€	€
Accruals	4,659	4,658
Other creditors	3,278	1,725
	<u>7,937</u>	<u>6,383</u>

14. Related party transactions

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

The following transactions were carried out with related parties:

14.1 Investment income

Name	Nature of transactions	2010	2009
		€	€
Subsidiary undertaking	Dividends	-	20,232,929
		<u>-</u>	<u>20,232,929</u>

15. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2010/2009.

16. Commitments

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

17. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent Auditor's report on pages 3 and 4