

ROMATH HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
31 December 2006

ROMATH HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2006

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ROMATH HOLDINGS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors: Aristodemos Loizou

Company Secretary: Esano Secretarial Ltd

Auditors: Nexia Poyiadjis
Chartered Accountants
2 Sophouli Street
Chanteclair Building
8th Floor,
1096 Nicosia, Cyprus

Registered Office: 2 Sophouli Str.
Chanteclair House 8th Floor
1096 Nicosia
Cyprus

Registration number: 157923

ROMATH HOLDINGS LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report together with the audited financial statements of the Company for the year ended 31 December 2006.

Principal activities

The principal activities of the Company are the acquisition and administration of real estate through joint ventures.

Review of current position and future developments

The current financial position as presented in the financial statements is considered satisfactory. The Board of directors does not expect major changes in the principal activities of the Company in the foreseeable future.

Results and Dividends

The Company's results for the year are set out on page 4. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Transfer of shares

The Company's total Issued Ordinary share capital of 1000 shares have been transferred to Belltrend Menorah Enterprises Ltd at par , on 1 March 2005. Of the shares acquired by Blue Storm Menorah Enterprises Ltd 500 were held in trust for Ranitech Ltd which were subsequently transferred to Ranitech Ltd , at par , on 8 March 2006.

Share capital

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

Board of Directors

The members of the Board of Directors of the Company as at 31 December 2006 and at the date of this report are shown on page 1. The sole director was a member of the board throughout the year ended 31 December 2006.

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.

Auditors

The auditors, Nexia Poyiadjis, 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,

.....
Aristodemos Loizou
Director

Nicosia, Cyprus, 13 February 2007

AUDITORS' REPORT TO THE MEMBERS OF ROMATH HOLDINGS LIMITED

Report on the financial statements

1. We have audited the financial statements of Romath Holdings Limited on pages 4 to 15, which comprise the balance sheet as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement for the year then ended, and the related notes. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to the Company's members, as a body, in accordance with Section 156 of the Companies Law, Cap. 113. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

2. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion the financial statements give a true and fair view of the financial position of Romath Holdings Limited as at 31 December 2006 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

4. 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 page 2 is consistent with the financial statements.

Nicosia, Cyprus, 13 February 2007

Nexia Poyiadjis
Chartered Accountants

ROMATH HOLDINGS LIMITED

INCOME STATEMENT

Year ended 31 December 2006

		1.1.2006 - 31.12.2006	24.2.2005 - 31.12.2005
	Note	€	€
Revenue	4	289,120	76,344
Administration expenses		(5,665)	(6,053)
Other expenses	5	-	(1,275)
Operating profit	6	283,455	69,016
Finance costs	7	(192,875)	(55,315)
Profit before tax		90,580	13,701
Tax	8	7,589	(12,894)
Net profit for the year		98,169	807

The notes on pages 8 to 15 form an integral part of these financial statements.

ROMATH HOLDINGS LIMITED

BALANCE SHEET 31 December 2006

	Note	2006 €	2005 €
ASSETS			
Non-current assets			
Capital in joint ventures	9	<u>2,762,810</u>	2,805,429
		<u>2,762,810</u>	<u>2,805,429</u>
Current assets			
Trade and other receivables	10	20,231	28,084
Cash at bank and in hand	11	<u>63</u>	106,535
		<u>20,294</u>	134,619
Total assets		<u>2,783,104</u>	<u>2,940,048</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	1,740	1,740
Retained earnings		<u>98,976</u>	807
		<u>100,716</u>	<u>2,547</u>
Non-current liabilities			
Borrowings	13	<u>2,626,750</u>	2,874,934
		<u>2,626,750</u>	<u>2,874,934</u>
Current liabilities			
Trade and other payables	14	2,876	3,774
Borrowings	13	48,153	45,899
Current tax liabilities	15	<u>4,609</u>	12,894
		<u>55,638</u>	<u>62,567</u>
Total liabilities		<u>2,682,388</u>	<u>2,937,501</u>
Total equity and liabilities		<u>2,783,104</u>	<u>2,940,048</u>

On 13 February 2007, the Board of Directors of Romath Holdings Limited authorised these financial statements for issue.

.....
Aristodemos Loizou
Director

.....
Esano Secretarial Ltd
Secretary

ROMATH HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2006

	Note	Share capital €	Retained earnings €	Total €
Net profit for the period			€	€
Issue of share capital	12	1,7		1,7
At 1 January 2006		1,7	8	2,5
Net profit for the year			98,1	98,1
At 31 December 2006		1,7	98,9	100,7

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 during the following two years. This special contribution for defence is payable for the account of the shareholders.

ROMATH HOLDINGS LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2006

	1.1.2006 - 31.12.2006	24.2.2005 - 31.12.2005 Audited
Note	€	€
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	90,580	13,701
Adjustments for:		
Share of (profit) from joint ventures	9 (225,120)	(44,344)
Interest expense	7 191,734	54,560
Operating profit before working capital changes	57,194	23,917
Changes in working capital:		
Trade and other receivables	6,746	(28,084)
Trade and other payables	(898)	3,774
Net cash from / (used in) operating activities	63,042	(393)
CASH FLOWS FROM INVESTING ACTIVITIES		
Drawings from / (deposits) in joint ventures	9 267,739	(2,761,085)
Net cash from / (used in) investing activities	267,739	(2,761,085)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	1,740
Repayment of borrowings	(247,773)	-
Proceeds from borrowings	-	2,874,934
Interest paid	(189,480)	(8,661)
Net cash (used in) / from financing activities	(437,253)	2,868,013
Net (decrease) / increase in cash and cash equivalents	(106,472)	106,535
Cash and cash equivalents:		
At beginning of the year	11 106,535	-
At end of the year	11 63	106,535

The notes on pages 8 to 15 form an integral part of these financial statements.

ROMATH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

1. Incorporation and principal activities

Country of incorporation

The Company Romath Holdings Limited (the "Company") was incorporated in Cyprus on 24 February 2005 as a private company with limited liability under the Companies Law, Cap. 113. Its registered office is at 2 Sophouli Str., Chanteclair House 8th Floor, 1096 Nicosia, Cyprus.

Principal activities

The principal activities of the Company are the acquisition and administration of real estate through joint ventures.

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 (IFRS) and the provisions of the Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment 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 ultimately may differ from those estimates.

Revenue recognition

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

- **Rendering of services**

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

- **Rental income**

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

- **Interest income**

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

Finance costs

Interest expense and other borrowing costs are charged to the income statement as incurred.

ROMATH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

2. Accounting policies (continued)

Foreign currency translation

(1) **Measurement currency**

The financial statements are prepared in Euro (the measurement currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company.

(2) **Foreign currency translation**

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation 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.

Joint ventures

The Company's share in a joint venture is initially recorded at cost and adjusted thereafter for the post acquisition change in the Company's share of net assets of the joint venture (equity method).

Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount. The amount of the provision is recognised in the income statement.

Share capital

Ordinary shares are classified as equity.

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Long-term liabilities

Long-term liabilities represent amounts that are due more than twelve months from the balance sheet date.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

Comparatives

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

ROMATH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

3. Financial risk management

(1) Financial risk factors

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

(1.1) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. 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.

(1.2) 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 balance sheet date. The Company has significant concentration of credit risk. The Company's exposure to such risk is minimised due the fact that it is primarily funded by related parties with interests in common with that of the Company.

(1.3) 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 available an adequate amount of committed credit facilities from related parties with interests in common with that of the Company.

(1.4) 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 is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(2) Fair value estimation

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

4. Revenue

	1.1.2006 - 31.12.2006	24.2.2005 - 31.12.2005
	€	€
Share of profits in Terra Heimbau Eins Ltd & Co KG	26,160	32,083
Share of profits/(losses) in Terra Heimbau Zwei Ltd & Co KG	86,831	(1,926)
Share of profits in Terra Heimbau 407 Ltd & Co KG	112,129	14,187
Rendering of services	64,000	32,000
	<u>289,120</u>	<u>76,344</u>

5. Other expenses

	1.1.2006 - 31.12.2006	24.2.2005 - 31.12.2005
	€	€
Incorporation expenses	-	1,275
	<u>-</u>	<u>1,275</u>

ROMATH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

6. Operating profit

	1.1.2006 - 31.12.2006	24.2.2005 - 31.12.2005
	€	€
Operating profit is stated after charging the following items:		
Auditors' remuneration	<u>1,725</u>	<u>1,725</u>

7. Finance costs

	1.1.2006 - 31.12.2006	24.2.2005 - 31.12.2005
	€	€
Interest expense	191,734	54,560
Other finance expenses	<u>1,141</u>	<u>755</u>
	<u>192,875</u>	<u>55,315</u>

8. Tax

	1.1.2006 - 31.12.2006	24.2.2005 - 31.12.2005
	€	€
Corporation tax - current year	637	690
Corporation tax - prior years overprovision	(8,226)	-
Overseas tax	-	12,204
Total charge for the year	<u>(7,589)</u>	<u>12,894</u>

The Company is subject to corporation tax on its taxable profits at the rate of 10% in Cyprus and income tax at 26.375% on its share of the profits in the joint ventures in Germany. The Company is entitled to a tax credit in Cyprus on the taxation payable in Germany, in accordance with the Double Taxation Treaty between the two states.

The Company earns rental income in the administration of real estate in Germany, through its association with various joint ventures. Due to the nature of such income, the Company may be liable to special defence contribution at 3%, calculated on 75% of the gross rental income receivable. However, the Company believes that it will not be liable to this contribution due to the fact that it has no permanent establishment in Germany and the interest is derived from a passive investment.

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 rate burden of approximately 15%. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

ROMATH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

9. Capital in joint ventures

	2006	2005
	€	€
Opening net book amount	2,805,429	-
Deposits with joint ventures	-	2,761,085
Drawings from joint ventures	(267,739)	-
Share of net profits in joint ventures	225,120	44,344
Closing net book amount	<u>2,762,810</u>	<u>2,805,429</u>

The details of the joint ventures, which are registered limited partnerships, are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Participation in equity</u>	<u>Holding</u>
			€	%
Terra Heimbau 407 Ltd & Co KG	Federal Republic of Germany	Acquisition and holding of Real Estate	8,825	35,3
Terra Heimbau Eins Ltd & Co KG	Federal Republic of Germany	Acquisition and holding of Real Estate	16,000	16
Terra Heimbau Zwei Ltd & Co KG	Federal Republic of Germany	Acquisition and holding of Real Estate	16,000	16

10. Trade and other receivables

	2006	2005
	€	€
Trade receivables	16,000	24,960
Receivables from related companies (Note 16)	1,384	1,384
Shareholders' current accounts - debit balances (Note 16)	1,740	1,740
Other receivables	1,107	-
	<u>20,231</u>	<u>28,084</u>

The Company's historical experience in collection of accounts receivable falls within the recorded allowances. Due to this factor, management believes that no additional credit risk beyond amounts provided for collections of losses is inherent in the Company's trade receivables.

11. Cash and cash equivalents

	2006	2005
	€	€
Cash at bank and in hand	63	106,535
	<u>63</u>	<u>106,535</u>

ROMATH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

12. Share capital

	2006 Number of shares	2006 €	2005 Number of shares	2005 €
Authorised				
Ordinary shares of CY£1 each	<u>1,000</u>	<u>1,740</u>	1,000	1,740
Issued and fully paid				
On 1 January	1,000	1,740	-	-
Issue of shares	<u>-</u>	<u>-</u>	1,000	1,740
At 31 December / 31 December 2005	<u>1,000</u>	<u>1,740</u>	1,000	1,740

13. Borrowings

	2006 €	2005 €
Current borrowings		
Interest accrued on loans from related parties (Note 16)	<u>48,153</u>	45,899
Non current borrowings		
Loans from related companies (Note 16)	<u>2,626,750</u>	2,874,934
	<u>2,626,750</u>	2,874,934

The above loans bear interest at predetermined rates agreed to by the parties and are unsecured.

14. Trade and other payables

	2006 €	2005 €
Accruals	<u>2,876</u>	3,774
	<u>2,876</u>	3,774

ROMATH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

15. Current tax liabilities

	2006	2005
	€	€
Corporation tax	631	690
Income tax accrued - Germany	<u>3,978</u>	<u>12,204</u>
	<u><u>4,609</u></u>	<u><u>12,894</u></u>

16. Related party transactions

In March 2005 the Company's total ordinary issued share capital was transferred at par to Blue Storm Menorah Enterprises Ltd - €1.740. Of the 1000 shares acquired, being the total ordinary issued share capital of the Company, 500 were held in trust for Ranitech Ltd. These 500 shares were subsequently transferred to Ranitech Ltd at par on 8 March 2006.

The following balances relate to transactions carried out with related parties:

16.1 Receivables from related companies (Note 10)

Name	Nature of transactions	1.1.2006 -	24.2.2005 -
		31.12.2006	31.12.2005
		€	€
Belltrend Menorah Enterprises Ltd	Interest free and no specified repayment date	<u>1,384</u>	<u>1,384</u>
		<u><u>1,384</u></u>	<u><u>1,384</u></u>

16.2 Interest accrued on loans from related parties (Note 13)

	1.1.2006 -	24.2.2005 -
	31.12.2006	31.12.2005
	€	€
Belltrend Menorah Enterprises Ltd	15,287	11,523
Ranitech Limited	<u>32,866</u>	<u>34,376</u>
	<u><u>48,153</u></u>	<u><u>45,899</u></u>

16.3 Loans from related companies (Note 13)

	1.1.2006 -	24.2.2005 -
	31.12.2006	31.12.2005
	€	€
Belltrend Menorah Enterprises Ltd	a 749,452	910,023
Ranitech Limited	b <u>1,877,299</u>	<u>1,964,911</u>
	<u><u>2,626,751</u></u>	<u><u>2,874,934</u></u>

a. The loan bears interest at 7.00% per annum, is unsecured and no repayment date specified.

b. The loan bears interest at 7.00% per annum, is unsecured and no repayment date specified.

16.4 Shareholders' current accounts - debit balances (Note 10)

	1.1.2006 -	24.2.2005 -
	31.12.2006	31.12.2005
	€	€
Amounts due from shareholder	<u>1,740</u>	<u>1,740</u>
	<u><u>1,740</u></u>	<u><u>1,740</u></u>

The shareholders' current accounts are interest free, and have no specified repayment date.

ROMATH HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

17. Contingent liabilities

Under tax legislation companies submit tax computations and tax returns and pay taxes on the basis of the submitted computations and returns. The interpretation of the tax legislation by the tax authorities as applied to the transactions and activities of the Company may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest, which may be significant. The periods remain open to review by the tax authorities with respect to tax liabilities for six years.

18. Post balance sheet events

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Auditors' report page 3

ROMATH HOLDINGS LIMITED

DETAILED INCOME STATEMENT

Year ended 31 December 2006

	1.1.2006 - 31.12.2006	24.2.2005 - 31.12.2005
Page	€	€
Revenue		
Share of profits in Terra Heimbau Eins Ltd & Co KG	26,160	32,083
Share of profits/(losses) in Terra Heimbau Zwei Ltd & Co KG	86,831	(1,926)
Share of profits in Terra Heimbau 407 Ltd & Co KG	112,129	14,187
Rendering of services	<u>64,000</u>	<u>32,000</u>
Total revenue	289,120	76,344
Operating expenses		
Administration expenses	17 <u>(5,665)</u>	<u>(6,053)</u>
	283,455	70,291
Other operating expenses		
Incorporation expenses	<u>-</u>	<u>(1,275)</u>
Operating profit	283,455	69,016
Finance costs - net	18 <u>(192,875)</u>	<u>(55,315)</u>
Net profit for the year before tax	<u>90,580</u>	<u>13,701</u>

ROMATH HOLDINGS LIMITED

OPERATING EXPENSES

Year ended 31 December 2006

	1.1.2006 - 31.12.2006	24.2.2005 - 31.12.2005
	€	€
Administration expenses		
Auditors' remuneration	1,725	1,725
Accounting fees	1,246	863
Other professional fees	2,694	3,465
	<u>5,665</u>	<u>6,053</u>

ROMATH HOLDINGS LIMITED

FINANCE COSTS

Year ended 31 December 2006

	1.1.2006 - 31.12.2006	24.2.2005 - 31.12.2005
	€	€
Interest expense		
Other interest	(191,734)	(54,560)
Other finance expenses		
Bank charges	<u>(1,141)</u>	<u>(755)</u>
	<u>(192,875)</u>	<u>(55,315)</u>

