GRAVEL AND SAND PITS BULGARIA EAD

FINANCIAL STATEMENTS
31 December 2006

Contents

Directors

Alexandar Nakov Chakmakov
Mihalis Cigalis
Christos Panagopoulos
Prokopios Agamemnon Belezinis
Ianis Georgakakis

Registered office

6, Poruchik Nedelcho Bonchev Str.
Sofia

Solicitors

Futekova, Hristova, Tomeshkova EOOD
Penkov, Markov and Partners OOD

Bankers

Bulgarian Post Bank- Sofia
Raiffeisen Bank - Sofia

Auditors

Ernst & Young Audit OOD

(All amounts in EUR thousand unless otherwise stated)

DIRECTORS' REPORT

The Directors present the report and the financial statements prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union for the year ended 31 December 2006. These financial statements have been audited by Ernst and Young Audit OOD.

GENERAL INFORMATION AND BUSINESS DESCRIPTION

The Company is registered in the Republic of Bulgaria. The main activity of the company includes development and exploitation of aggregate quarries.

BUSINESS DESCRIPTION

Current year results

During 2004 and in the following years, including 2006, Gravel and Sand Pits Bulgaria EAD started survey activities for development of aggregates quarries in different parts of the country. Based on this, several procedures are started in the Ministry of Environment and Water Affairs (MEWA) for receiving permit for geological survey of aggregates raw materials for concrete production and pavements, pursuant to the Law for Underground Resources. By the beginning of year 2006, few permits are already submitted by MEWA for geological survey.

In 2006, the entity received permit from MEWA for geological survey of another pit and for start of activities for investigation, including drilling, laboratory analysis of the drilling samples and geological and geodesist work. In addition, the survey activities of the prior received permits were completed and respective geological reports were prepared for approval by MEWA. After approval of these geological reports, the entity will apply for concession rights on the investigated quarries. This process will continue also in 2007 and 2008 until completion of the survey activities on all permits received so far and to be received in the future.

After the entity receives a concession for extracting and processing of raw materials, it will invest in production facilities and will hire a team of specialists to operate the quarries and to manage all activities. At present, the entity works mainly with third party consultants, geology and geodesist specialists and mining engineers, as the scope of activity does not require yet hiring of own personnel.

During the year, the entity incorporated a wholly-owned subsidiary Rudmak DOOEL, based in FYROM, with the same scope of activity – survey and exploitation of quarries.

Gravel and Sand Pits Bulgaria EAD also acquired 48.77% interest of Holcim Karierni Materiali AD and 48.72% interest of Karieri AD. The purpose of these investments is to ensure presence in the aggregates market.

All activities for geological survey of the potential quarries will be financed by the parent company Zlatna Panega Cement AD, through increase of the Company's share capital.

Share capital structure

Shareholder	Percentage	Number of shares (thousands)	Nominal value (thousands)
Zlatna Panega Cement AD	100	135	69

As of 31 December 2006 Gravel and Sand Pits Bulgaria EAD holds interests in the following subsidiaries and associates:

- wholly-owned subsidiary, Rudmak DOOEL, FYROM;
- associate Holcim Karierni Materiali AD with 48.77% participation;
- associate Karieri AD with 48.72% participation.

(All amounts in EUR thousand unless otherwise stated)

OBJECTIVES OF THE COMPANY FOR 2007

The Directors set to achieve the following objectives in year 2007:

- Continue with geological survey activities on the obtained permits;
- Obtain new permits for geological survey;
- Start procedure for concession rights for the pits with completed and approved by MEWA survey activities, pursuant to the Law for Underground Resources and Law for Concessions.

We look optimistically at the future of Gravel and Sand Pits Bulgaria EAD and believe that if management exercises proper control over the business, this will lead to quality improvement and stability of the company.

CORPORATE GOVERNANCE

The Company is constituted as a public company in compliance with the Commercial Law of the Republic of Bulgaria and has one-tier system of governance.

As at 31.12.2006 the Board of Directors consists of:

1. Alexandar Nakov Chakmakov;
2. Mihalis Cigalis
3. Giorgos Moschopoulos
4. Prokopios Agamemnon Belezinis
5. Ianis Georgakakis

Alexandar Nakov Chakmakov is the Company's executive director.

Directors' responsibilities

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the state of affairs of the company as at the year end and of the profit or loss and cash-flows for the year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 2006.

The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Alexandar Chakmakov
Executive Director

Sofia
5 February 2007

INDEPENDENT AUDITORS' REPORT TO THE SOLE SHAREHOLDER OF GRAVEL AND SAND PITS BULGARIA EAD

We have audited the accompanying financial statements of Gravel and Sand Pits Bulgaria EAD (the Company), which comprise the balance sheet as of 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as endorsed by the European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed by the EU.

Ernst & Young Audit OOD
Sofia, Bulgaria

9 February 2007

GRAVEL AND SAND PITS BULGARIA EAD
INCOME STATEMENT
For the year ended 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

	Notes	2006	2005
Administrative expenses	3.1	(42)	(43)
Finance revenue	3.2	589	-
Finance costs	3.3	(84)	-
Profit before tax		**463**	**(43)**
Income tax expense	4	-	-
Profit/(Loss) for the year		**463**	**(43)**

Chief Executive Officer
Alexandar Chakmakov

The accompanying notes to the financial statements on pages 6 to 20 form an integral part of these financial statements.

GRAVEL AND SAND PITS BULGARIA EAD
BALANCE SHEET
As of 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

	Notes	2006	2005
ASSETS			
Non-current assets			
Investments in subsidiaries	5	805	-
Investments in associates	6	114	-
		919	**-**
Current assets			
Prepayments and other receivables		2	6
Cash and cash equivalents	7	33	6
		35	**12**
TOTAL ASSETS		**954**	**12**
EQUITY AND LIABILITIES			
Equity			
Issued capital	8	69	26
Retained earnings/(Accumulated loss)		406	(57)
Total equity		**475**	**(31)**
Current liabilities			
Payables to related parties	9	479	43
		479	**43**
Total liabilities		**479**	**43**
TOTAL EQUITY AND LIABILITIES		**954**	**12**

Chief Executive Officer
Alexandar Chakmakov

The accompanying notes to the financial statements on pages 6 to 20 form an integral part of these financial statements.

GRAVEL AND SAND PITS EAD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

	Issued capital (Note 8)	Retained earnings/(Accumulated loss)	Total
At 1 January 2005	**26**	**(14)**	**12**
Loss for the year	-	(43)	(43)
At 31 December 2005	**26**	**(57)**	**(31)**
At 1 January 2006	**26**	**(57)**	**(31)**
Profit for the year	-	463	463
Increase of capital (Note 8)	43	-	43
At 31 December 2006	**69**	**406**	**475**

Chief Executive Officer
Alexandar Chakmakov

The accompanying notes to the financial statements on pages 6 to 20 form an integral part of these financial statements.

GRAVEL AND SAND PITS EAD
CASH FLOW STATEMENT
For the year ended 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

	Notes	2006	2005
OPERATING ACTIVITIES			
Profit/(Loss) before tax		**463**	**(43)**
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Dividend income	3.2	(583)	-
Other finance revenue		(5)	-
Interest income	3.3	(1)	-
Interest expense	3.4	83	-
Working capital adjustments:			
Increase in prepayments and other receivables		4	(4)
Interest received		1	-
Interest paid		(80)	-
Net cash flows used in operating activities		**(118)**	**(47)**
INVESTING ACTIVITIES			
Incorporation of subsidiary	5	(800)	-
Purchase of investments in associates	6	(4,747)	-
Dividends received from associates		5,216	-
Net cash flows used in investing activities		**(331)**	**-**
FINANCING ACTIVITIES			
Proceeds from loans from related parties		476	43
Net cash flows from financing activities		**476**	**43**
Net increase/(decrease) in cash and cash equivalents		**27**	**(4)**
Cash and cash equivalents at 1 January		**6**	**10**
Cash and cash equivalents at 31 December	7	**33**	**6**

Chief Executive Officer
Alexandar Chakmakov

The accompanying notes to the financial statements on pages 6 to 20 form an integral part of these financial statements.

(All amounts in EUR thousand unless otherwise stated)

1. Corporate information

The financial statements of Gravel and Sand Pits EAD (the Company) for the year ended 31 December 2006 were authorized for issue in accordance with a resolution of the Board of Directors on 6 February 2007.

Gravel and Sand Pits EAD is a joint stock company. The Company is incorporated and domiciled in Sofia, Bulgaria with resolution of Lovech District Court 433/1998 and its fiscal year ends 31 December.

The principal activities of the Company include research quarries and sales of aggregates.

As of 31 December 2006 the Company's share capital was held by:
- Zlatna Panega Cement AD 100%

The ultimate parent company is Titan Cement S.A., Greece.

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis. They are presented in euros (EUR) and all values are rounded to the nearest thousand (EUR thousand) except when otherwise indicated.

Statement of compliance

The financial statements of Gravel and Sand Pits EAD have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU).

These financial statements are the separate financial statements of Gravel and Sand Pits EAD where the investments in subsidiaries and associates are accounted for at cost. The Company meets the exemption criteria under IAS 27 Consolidated and Separate Financial Statements, for not presenting consolidated financial statements, as follows:

- The shareholder of the Company have been informed about and do not object to Gravel and Sand Pits EAD not presenting consolidated financial statements;
- The Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- The Company did not file, nor is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- The ultimate parent company, Titan Cement S.A., Greece, prepares and presents consolidated financial statements available for public use that comply with IFRS. These consolidated financial statements are obtainable on internet address http://www.titan.gr/en/financial/year.htm. The address of the registered office of Titan Cement S.A. is 22 A Halkidikos Str., 111 43 Athens, Greece.

2.2 Changes in accounting policies

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

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Company. They did however give rise to additional disclosures.
- IAS 19 Amendment—Employee Benefits
- IAS 21 Amendment—The Effects of Changes in Foreign Exchange Rates
- IAS 39 Amendments—Financial Instruments: Recognition and Measurement
- IFRIC 4 Determining whether an Arrangement contains a Lease

(All amounts in EUR thousand unless otherwise stated)

2.2 Changes in accounting policies (continued)

- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment

The principal effects of these changes are as follows:

IAS 19 *Employee Benefits*
As of 1 January 2006, the Company adopted the amendments to IAS 19. As a result, additional disclosures are made providing information about trends in the liabilities in the defined benefit plan and the assumptions underlying the components of the defined benefit cost. As the Company does not have any employees, this amendment has had no impact on the financial statements

IAS 21 *The Effects of Changes in Foreign Exchange Rates*
The Company adopted the amendment of IAS 21 as of 1 January 2006, which requires all exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. This amendment did not have an effect on the separate financial statements.

IAS 39 *Finanial Instruments: Recognition and Measurement*
Amendment for financial guarantee contracts (issued August 2005) – amended the scope of IAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue. This amendment did not have an effect on the financial statements.

Amendment for hedges of forecast intragroup transactions (issued April 2005) – amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Company currently has no such transactions, the amendment did not have an effect on the financial statements.

Amendment for the fair value option (issued June 2005) – amended IAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Company had not previously used this option, hence the amendment did not have an effect on the financial statements.

IFRIC 4 Determining Whether an Arrangement contains a Lease

The Company adopted IFRIC Interpretation 4 as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. As the Company does not have any lease contracts, this amendment has had no impact on the financial statements.

IFRIC 5 *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
The Company adopted IFRIC Interpretation 5 as of 1 January 2006, which establishes the accounting treatment for funds established to help finance decommissioning for a companies assets. As the Company does not currently operate in a country where such funds exist, this interpretation has had no impact on the financial statements.

IFRIC 6 *Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*
The Company adopted IFRIC Interpretation 6 as of 1 January 2006, which established the recognition date for liabilities arising from the EU Directive relating to the disposal of Waste Electrical and Electronic Equipment. As

the Company does not currently participate in such market, this interpretation has had no impact on the financial statements.

2.3 Significant accounting judgements, estimates and assumptions

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known.

2.4 Summary of significant accounting policies

Foreign currency translation

The financial statements are presented in euros while the functional currency of the Company is Bulgarian Lev (BGN). The Company uses Euro as a presentation currency due to the requirement of the ultimate parent company which is the main user of the financial statements.

As at the reporting date, the assets, liabilities, equity, revenue and expenses of the Company are translated into the presentation currency at the fixed rate of BGN/EUR of 1.95583 (or EUR/BGN of 0.51129) quoted by the Bulgarian National Bank. BGN is pegged to the EUR at the exchange rate of 1.95583 as from 1 January 2002 (BGN was pegged to the DEM as from 1 July 1997, with the introduction of the Currency Board in Bulgaria).

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated on a monthly basis by applying the exchange rate published by the Bulgarian National Bank for the last working day of the respective month. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions.

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Investments and other financial assets

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Investments in subsidiaries and associates
Investments in subsidiaries and associates are measured at cost in these separate financial statements. Further details are given in Note 2.1 and Notes 5 and 6.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Iinvestments in subsidiaries and associates carried at cost
If there is objective evidence that an impairment loss has been incurred on the unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the loss is recognised in profit or loss. Such impairment losses are not reversed.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Cash and cash equivalents

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

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial assets and liabilities

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass through’ arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company’s continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Provisions

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Dividends
Revenue is recognised when the Company's right to receive the payment is established. The Company recognises income from investments only to the extent that it receives distributions from the accumulated profits of the investee arising after that date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

Interest income
Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Taxes (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

(All amounts in EUR thousand unless otherwise stated)

2.5 Future changes in accounting policies

IFRSs and IFRIC Interpretations not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2007 or later periods but which the Company has not early adopted, as follows:

IFRS 7 Financial Instruments: Disclosures and a complementary amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007).
IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

IFRS 8 Operating segments (effective from 1 January 2007).
IFRS 8 is not relevant for the Company's operations.

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for financial years beginning on or after 1 March 2006).
IFRIC 7 is not relevant to the Company's operations.

IFRIC 8 Scope of IFRS 2 (effective for financial years beginning on or after 1 May 2006).
IFRIC 8 is not relevant to the Company's operations.

IFRIC 9 Reassessment of Embedded Derivatives **(**effective for financial years beginning on or after 1 June 2006).
IFRIC 9 is not relevant to the Company's operations.

IFRIC 10 Interim Reporting and Impairment (effective for financial years beginning on or after 1 November 2006).
IFRIC 10 addresses the inconsistency between IAS 34 Interim Financial Reporting and the impairment requirements relating to goodwill in IAS 36 Impairment of Assets and equity instruments classified as available for sale in IAS 39 Financial Instruments: Recognition and Measurement. IFRIC 10 states that the specific requirements of IAS 36 and IAS 39 take precedence over the general requirements of IAS 34 and, therefore, any impairment loss recognised for these assets in an interim period may not be reversed in subsequent interim periods. Management is currently assessing the impact of IFRIC 10 on the Company's interim reporting.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2007).
IFRIC 11 is not relevant to the Company's operations.

IFRIC 12 Service Concession Agreements (effective from 1 January 2008).
IFRIC 12 is not relevant to the Company's operations.

The Company expects that adoption of the pronouncements listed above will have no impact on the Company's financial statements in the period of initial application.

(All amounts in EUR thousand unless otherwise stated)

3. Expenses and revenues

3.1 Administrative expenses

	2006	2005
Consultancy fees	(39)	(38)
Other services	(3)	(3)
Expenses for other materials	-	(2)
	(42)	**(43)**

3.2 Finance revenue

	2006	2005
Dividends received from associates (Note 6)	583	-
Interest income	1	-
Other	5	-
	589	**-**

3.3 Finance costs

	2006	2005
Interest expense	(83)	-
Foreign exchange losses	(1)	-
	(84)	**-**

(All amounts in EUR thousand unless otherwise stated)

4. Income tax

The major components of income tax expense for the years ended 31 December 2006 and 2005 are:

	2006	2005
Current income tax charge	-	-
Deferred income tax expense/(benefit)	-	-
Income tax expense reported in the income statement	-	-

In 2006 the nominal statutory tax rate is 15% (2005: 15%). For 2007 the nominal statutory tax rate is 10%.

Reconciliation between income tax expense and the product of accounting profit/(loss) multiplied by the statutory tax rate for the years ended 31 December 2006 and 2005 is as follows:

	2006	2005
Accounting profit/(loss) before income tax	463	(43)
Income tax (expense)/income at statutory tax rate of 15% for 2006 (2005: 15%)	(69)	6
Expenses not deductible for tax purposes	-	-
Revenue not subject to tax	87	-
Unused tax losses	(18)	(6)
Effect of change in tax rate	-	-
Income tax expense	-	-

The Company has incurred tax losses as follows,

Tax period	Period of availability for tax relief	2006	2005
2006	2007 through 2011	120	-
2005	2006 through 2010	52	52
2004	2005 through 2009	8	8
2003	2004 through 2008	9	9
2002	2003 through 2007	9	9
Total tax loss carried forward		198	78
Effective income tax rate		10%	15%
Deferred income tax asset not recognized		20	12

These losses can be carried forward as relief against future taxable profits. However, since the amounts and timing of future taxable income cannot be estimated reliably due to the uncertainties of the economic environment of the Company, no deferred tax asset has been recognised for the tax losses carried forward as of 31 December 2006 and 2005.

(All amounts in EUR thousand unless otherwise stated)

5. Investments in subsidiaries

	Country of incorporation	% equity interest 2006	% equity interest 2005
Rudmak EOOD	FYROM	100%	-

The investments in subsidiaries are measured at cost as follows,

	2006	2005
Rudmak EOOD	805	-
	805	**-**

During 2006 the Company set up Rudmak EOOD, FYROM, a wholly-owned subsidiary. As of 31 December 2006 the share capital of Rudmak EOOD amounts to EUR 805 thousand formed through a contribution-in-kind of EUR 5 thousand and cash contributions of EUR 800 thousand. The shares in the wholly-owned subsidiary do not have a quoted market price in an active market and their fair value cannot be reliably measured.

6. Investments in associates

	Country of incorporation	% equity interest 2006	% equity interest 2005
Karieri AD	Bulgaria	48.72%	-
Holcim Karierni Materiali AD	Bulgaria	48.77%	-

The investments in associates are measured at cost including the purchase price consideration paid less dividends received from the pre-acquisition earnings of associates as follows,

	Karieri AD	Holcim Karierni Materiali AD	Total
Purchase price consideration paid	1,591	3,156	4,747
Less: Dividends received from pre-acquisition earnings	(1,477)	(3,156)	(4,633)
Cost of investments in associates	**114**	**-**	**114**

The excess of dividends received from pre-acquisition earnings of Holcim Karierni Materiali AD, over the purchase price consideration paid, in the amount of EUR 583 thousand, is recognised as finance revenue in the income statement (Note 3.2).

The shares in the associates do not have a quoted market price in an active market and their fair value cannot be reliably measured.

(All amounts in EUR thousand unless otherwise stated)

7. Cash and cash equivalents

	2006	2005
Cash at bank	33	6
	33	**6**

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2006, the fair value of cash and cash equivalents was EUR 33 thousand (2005: EUR 6 thousand).

8. Issued capital

	2006	2005
Ordinary shares of EUR 0.51 each, as per court registration	69	26
	69	**26**

	Number of ordinary shares (thousand)	Authorised and issued share capital
At 1 January 2005	50	26
At 1 January 2006	50	26
Issued on 2 March 2006 for cash	85	43
At 31 December 2006	**135**	**69**

All ordinary shares issued were fully paid.

9. Related party disclosures

The ultimate parent
The ultimate parent of the Company is Titan Cement Company SA, incorporated in Greece.

Entity with controlling interest in the Company
The sole shareholder of the Company is Zlatna Panega Cement AD, Bulgaria.

Subsidiaries
Rudmak EOOD, registered in FYROM is a wholly-owned subsidiary of the Company.

(All amounts in EUR thousand unless otherwise stated)

9. Related party disclosures (continued)

Associates
Gravel and Sand Pits Bulgaria EAD has significant interest of 48.77% in Holcim Karierni Materiali AD and 48.72% in Karieri AD.

The following tables provide the total amount of transactions, which have been entered into and the outstanding balances with related parties:

		Purchase of investments	Dividends received	Amounts owed from related parties	Amounts owed to related parties
Dividends received/purchases from related party					
Subsidiaries					
Rudmak EOOD	2006	805	-	-	-
Rudmak EOOD	2005	-	-	-	-
Associates					
Karieri AD	2006	1,591	1,477	-	-
Karieri AD	2005	-	-	-	-
Holcim Karierni Materiali AD	2006	3,156	3,739	-	-
Holcim Karierni Materiali AD	2005	-	-	-	-
	2006			-	-
	2005			-	-

		Interest received	Interest paid	Amounts owed from related parties	Amounts owed to related parties
Loans from					
Entity with controlling interest in the Company					
Zlatna Panega Cement AD	2006	-	80	-	479
Zlatna Panega Cement AD	2005	-	-	-	43

Terms and conditions of transactions with related parties

Transactions with related parties are made at normal market prices. Outstanding balances at year end are unsecured, interest free (except for loans) and settlement occurs in cash. Except as noted below, there have been no guarantees provided or received for any related party receivables or payables. As of 31 December 2006, there are no amounts owed by related parties (2005: Nil).

(All amounts in EUR thousand unless otherwise stated)

9. Related party disclosures (continued)

Loans from related parties

Zlatna Panega Cement AD

During the year, Gravel and Sand Pits Bulgaria EAD has received a loan of EUR 479 thousand from its parent company, Zlatna Panega Cement AD (2005: EUR 43 thousand). It is intended to finance the investment in the Company's wholly-owned subsidiary Rudmak EOOD, FYROM. The loan is unsecured and is repayable in 2007. Interest is charged at the Bulgarian prime rate plus spread of 2.5%.

10. Commitments and contingencies

Capital commitments

On 5 August 2005 the Board of Directors has adopted a resolution to increase the share capital of Gravel and Sand Pits Bulgaria EAD from EUR 26 thousand to EUR 128 thousand through issuing of 200,000 new ordinary shares with par value of EUR 0.51 each. During 2006 the share capital of the Company was increased by EUR 43 thousand (Note 8).

Guarantees

The Company has a limit for bank guarantees to the amount of EUR 26 thousand in Bulgarian Post Bank. As of 31 December 2006, Gravel and Sand Pits Bulgaria EAD has two bank guarantees for good performance of EUR 3 thousand issued by Bulgarian Post Bank in favor of the Ministry of the Environment and Water Affairs. The bank guarantees are secured by promissory notes of EUR 3 thousand issued by Gravel and Sand Pits Bulgaria EAD. The promissory notes were guaranteed by Zlatna Panega Cement AD.

Legal claims

No significant legal claims are foreseen by the management of the Company.

Other

The Company has been last audited by the tax authorities for compliance with the following tax laws:

- Social security contributions – until 31 August 2005.

For the other taxes no tax audits were performed.

The directors do not believe that, as of 31 December 2006, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

(All amounts in EUR thousand unless otherwise stated)

11. Financial risk management objectives and policies

The Company's principal financial liabilities comprise payables to related parties. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company's main financial assets include equity investments and cash and cash equivalents.

The main risks inherent in the Company's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term debt obligations with floating interest rates.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of committed credit facilities. The liquidity risk is addressed by continuing support of the parent company through disbursement of loans.

Foreign exchange risk

The Company operates in Bulgaria and executes transactions in Bulgarian leva mainly. Therefore, it is not exposed to significant foreign exchange risks.

Credit risk

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents, equity investments and other receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

12. Fair values of financial instruments

Fair value is the amount at which a financial instrument may be exchanged or settled in an arm's length transaction as best proof of its market value in an active market.

The estimated fair value of the financial instruments is determined by the Company on the basis of available market information, if any, or proper valuation models. When the management uses available market information to determine the financial instruments' fair value, the market information might not completely reflect the value at which these instruments may be actually realised.

The management of Company believes that the fair value of financial instruments comprising cash items, equity investments, other receivables and payables to related parties does not differ significantly from their current carrying amounts, especially when they are short-term in nature or their interest rates are changing in line with the change in the current market conditions.

13. Events after the balance sheet date

No significant events have been identified after the balance sheet date that may influence the financial statements.