

GRANITOID AD

ANNUAL FINANCIAL STATEMENTS

31 December 2007

GRANITOID AD

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GRANITOID AD

General Information

Directors

Alexander Nakov Chakmakov
Mihail Panayotis Sigalas
Giorgos Moschopoulos
Fokion Tasulas
Ioanis Emanuil Georgakakis

Registered office

Batanovtcy, Pernik Region

Solicitors

Penkov & Markov
Futcova, Hristova & Tomeshkova
Alxander Sazdov

Bankers

Postbank,
Pernik, Bulgaria

Auditors

Ernst & Young Audit OOD
Business Park Sofia
Building 10, Floor 2
Mladost 4
1766 Sofia, Bulgaria

GRANITOID AD
DIRECTORS' REPORT
For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

DIRECTORS' REPORT

The Directors of Granitoid AD (the Company) present their annual report and the financial statements of the Company for the year ended 31 December 2007, that have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union. These financial statements have been audited by Ernst & Young Audit OOD.

BUSINESS DESCRIPTION

Granitoid AD has been registered in Bulgaria. The core activity of the Company after 1 June 2005 is the sale of property, plant and equipment and re-cultivation of the terrains.

OPERATING REVIEW

Current year results

The operating result for 2007 is positive. The profit amounts to EUR 45 thousand.

Dividends and profit distribution

The Annual general meeting of the shareholders was held on April 2007. No decision for dividend and profit distribution was taken. The next meeting at which an operating review for the year 2007 will be performed, will be held in April 2008.

Share capital structure

Shareholders	Percentage	Number of shares	Nominal value per share (EUR thousands)
REA Cement Ltd., Cyprus	91.26%	550,567	281
Zlatna Panega Cement AD	8.41%	50,764	26
MRRB	0.06%	350	-
Individuals	0.27%	1,646	1
	100%	603,327	308

OBJECTIVES OF THE COMPANY FOR 2008

The Directors have set the following objectives for the year 2008:

- Continuing the Company's operations.
- The Company decreases significantly its operations and its future operation as a going concern is dependent on the continuing support from the ultimate shareholder. The ultimate shareholder has provided the Company with a letter of support.

GRANITOID AD
DIRECTORS' REPORT
For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

CORPORATE GOVERNANCE

In accordance with the Commercial legislation in Bulgaria, as at 31 December 2007 Granitoid AD is a joint stock company with a one-tier system of corporate management.

The Board of Directors of the Company as at 31 December 2007 consists of:

1. Alexander Nakov Chakmakov
2. Mihail Panayotis Sigalas
3. Georgios Angelos Moskopulos
4. Fokion Tasulas
5. Ioanis Emanuil Georgakakis

Executive Director of the Company is Alexander Nakov Chakmakov.


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 judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2007.

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.



Alexander Chakmakov
Executive Director
Granitoid AD
Batanovcy
Date: 1 February 2008



INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GRANITOID AD

We have audited the accompanying financial statements of **GRANITOID AD**, which comprise the balance sheet as of 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

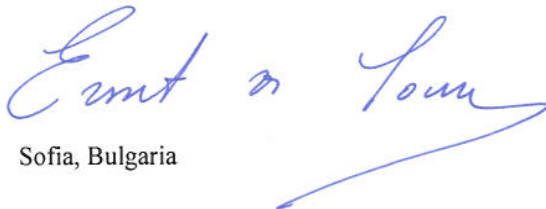
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 **GRANITOID AD** as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed by the EU.



Sofia, Bulgaria

4 February 2008

GRANITOID AD
INCOME STATEMENT

For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Notes	2007	2006
Sale of property	3.1	212	334
Cost of property sold	3.2	(24)	(44)
Profit from sale of property		188	290
Other income	3.7	78	53
Administrative expenses	3.3	(138)	(159)
Other expenses	3.4	(82)	(480)
Operating profit/ (loss)		46	(296)
Finance revenue	3.8	-	2
Finance costs	3.9	(1)	(3)
Profit/ (loss) before tax		45	(297)
Income tax expense	4	-	-
Profit/ (loss) for the year		45	(297)

Alexander Chakmakov
Executive Director



The accompanying notes to the financial statements on pages 6 to 29 form an integral part of these financial statements.

GRANITOID AD
BALANCE SHEET
As of 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Notes	2007	2006
ASSETS			
Non-current assets			
Property, plant and equipment	5.1	152	174
Intangible assets	6	1	2
		<u>153</u>	<u>176</u>
Current assets			
Trade and other receivables	7	332	378
Receivables from related parties	12	-	1
Deferred expenses		-	5
Non-current assets held for sale	5.2	2	9
Cash and short-term deposits	8	20	23
		<u>354</u>	<u>416</u>
TOTAL ASSETS		<u>507</u>	<u>592</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	9.1	19,117	19,117
Legal reserve	9.2	62	62
Accumulated loss		(18,992)	(19,037)
Total equity		<u>187</u>	<u>142</u>
Current liabilities			
Trade and other payables	10	316	369
Payables to related parties	12	1	78
Provisions	11	3	3
		<u>320</u>	<u>450</u>
Total liabilities		<u>320</u>	<u>450</u>
TOTAL EQUITY AND LIABILITIES		<u>507</u>	<u>592</u>

Alexander Chakmakov
Executive Director



The accompanying notes to the financial statements on pages 6 to 29 form an integral part of these financial statements.

GRANITOID AD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Issued capital (note 9.1)	Legal reserve (note 9.2)	Accumulated loss	Total
At 1 January 2006	19,117	62	(18,740)	439
Loss for the year	-	-	(297)	(297)
At 31 December 2006	19,117	62	(19,037)	142
At 1 January 2007	19,117	62	(19,037)	142
Profit for the year	-	-	45	45
At 31 December 2007	19,117	62	(18,992)	187

Alexander Chakmakov
Executive Director



The accompanying notes to the financial statements on pages 6 to 29 form an integral part of these financial statements.

GRANITOID AD
CASH FLOW STATEMENT
For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Notes	2007	2006
OPERATING ACTIVITIES			
Profit/(Loss) before tax		45	(297)
Adjustments to reconcile profit/(loss) before tax to net cash flows			
Non-cash:			
Depreciation and impairment of property, plant and equipment	5.1	5	8
Amortisation of intangible assets	6	1	2
Profit from disposal of property, plant and equipment		(188)	(290)
Movement in provision for other liabilities and charges		-	1
Interest income	3.8	-	(2)
Interest expense	3.9	1	1
Working capital adjustments:			
Decrease/ (Increase) in trade and other receivables		47	(68)
Decrease in prepayments		5	-
Decrease in trade and other payables		(53)	(8)
Income tax paid		-	(23)
Net cash flows used in operating activities		(137)	(676)
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		172	334
Proceeds from sale of non-current assets held for sale		40	-
Interest received		-	2
Net cash flows from investing activities		212	336
FINANCING ACTIVITIES			
Proceeds from borrowings from related parties		-	77
Repayment of borrowings from related parties		(77)	-
Interest paid		(1)	(1)
Net cash flows (used in)/ from financing activities		(78)	76
Net decrease in cash and cash equivalents		(3)	(264)
Cash and cash equivalents at 1 January		23	287
Cash and cash equivalents at 31 December	8	20	23

Alexander Chakmakov
Executive Director



The accompanying notes to the financial statements on pages 6 to 29 form an integral part of these financial statements.

GRANITOID AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

1. Corporate information

The financial statements of Granitoid AD (“the Company”) for the year ended 31 December 2007 were authorized for issue in accordance with a resolution of the Board of Directors on 1 February 2008.

Granitoid AD is a joint stock company. The Company is incorporated and domiciled in Batanovcy, Bulgaria with a resolution of the Pernik District Court 979/21 July 1993 and its fiscal year ends 31 December.

The principal activities of Granitoid AD include sale of real estate and movable property, and re-cultivation of terrains.

As of 31 December 2007 the Company is owned as follows:

- REA Cement Limited, Cyprus	91.26%
- Zlatna Panega Cement AD	8.41%
- MRRB	0.06%
- Individuals	0.27%

The ultimate parent company is Titan Cement Company 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 Granitoid AD have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU). The preparation of these annual financial statements of the Company is required by the ultimate parent company for its consolidation.

Going concern

The Company’s financial statements have been prepared on a going concern basis.

The operations of the Company resulted in significant accumulated losses which may cast doubts as regards its ability to continue its activities as a going concern. The future viability of the Company depends upon the business environment as well as upon the continuing support of the existing and potential shareholders and providers of finance. The directors have analyzed the ability of Granitoid AD to continue operations in the future and have taken measures to strengthen its position by obtaining financial support from the parent company and other related parties. The Company has been provided with a binding letter of support from the parent company, stating that adequate funds and full support would be provided to enable the Company to continue operations at least until the next twelve-month period.

The directors, in light of their assessment of expected future cash flows and continued financial support from the parent entity believe that the Company will continue its operations and settle its obligations in the ordinary course of business, without substantial dispositions of assets, externally forced revisions of its operations or similar actions.

(All amounts in EUR thousand unless otherwise stated)

2.2 Changes in accounting policy and disclosures

New and amended standards and interpretations effective for reporting periods ended 31 December 2007

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 performance or position of the Company. They did however give rise to additional disclosures:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment: Presentation of Financial Statements – Capital Disclosures
- IFRIC 7 Applying Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivates
- IFRIC 10 Interim Financial Reporting and Impairment

The principal effect of these changes is as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Amendment: Presentation of Financial Statements – Capital Disclosures

This amendment requires disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in Note 14.

IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

IFRIC 7 requires entities to apply IAS 29 Financial Reporting in Hyper-inflationary Economies in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. IFRIC 7 is not relevant to the Company's operations and did not have an effect on the financial statements.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 *Share-Based Payments* to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As the Company does not have any share-based payments, the interpretation had no impact on its financial position or performance.

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Company has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Company.

(All amounts in EUR thousand unless otherwise stated)

2.2 Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations effective for reporting periods ended 31 December 2007 (continued)

IFRIC 10 Interim Financial Reporting and Impairment

This interpretation requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company had reported no investment or goodwill, the interpretation had no impact on the financial position or performance of the Company.

Certain reclassifications of comparative information included in the balance sheet and cash flow statement were made in order to ensure consistency with the presentation of current financial year's figures. The comparative information for trade receivables and other receivables and prepayments were presented as separate line items accordingly. In the cash flow statement the comparative information for interest paid and interest received were reclassified from operating activities to financing and investing activities, respectively.

2.3 Significant accounting judgments, 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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

Useful lives of property plant and equipment, and intangible assets

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and their residual values. The determination of the useful lives of the assets is based on management's judgment.

Provision for impairment of receivables

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful receivables, management bases its estimates on the aging of accounts receivable, balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

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).

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the useful life of the assets.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognizing of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

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 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 recognized 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.

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 amortized cost using the effective interest method less any allowance for impairment. Amortized 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 recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

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 amortized 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 recognized 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 recognized 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 recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized 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 derecognized when they are assessed as uncollectible.

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.

Issued capital

Issued capital represents the par value of shares issued and paid by the shareholders adjusted with the effect of hyperinflation as disclosed in Note 9.1. Any proceeds in excess of par value are recorded in share premium.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value less directly attributable transaction costs, and have not been designated "as at fair value through profit or loss".

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

Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Derecognizing 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 derecognizing of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Provisions

General

Provisions are recognized 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 recognized 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 recognized as a finance cost.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. 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:

Sale of non-current assets

Revenue from the sale of non-current assets is recognized when the significant risks and rewards of ownership of the assets have passed to the buyer, usually on transfer of legal ownership title..

Sale of other assets

Revenue from the sale of other assets is recognized when the significant risks and rewards of ownership of the assets have passed to the buyer, usually on dispatch of the other assets.

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.

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.

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.

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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Taxes (continued)

Deferred income tax (continued)

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.

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT) except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.5 Future changes in accounting policies

Standards, interpretations and amendments issued but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2008 or later periods but which the Company has not early adopted, as follows:

IAS 23 Borrowing Costs - Revised

A revised IAS 23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Company will be required to change its accounting policy from 1 January 2009 to capitalize borrowing costs on qualifying assets prospectively from that date. In accordance with the transitional requirements in the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 1 Presentation of Financial Statements - Revised

A revised IAS 1 Presentation of Financial Statements becomes effective for financial years beginning on or after 1 January 2009. The standard was revised to require statement of changes in equity to include only transactions with shareholders. A new statement of comprehensive income is introduced and dividends to equity holders are shown only in the statement of changes of equity or notes to the financial statements. The Company is in the process of assessing the impact this revised standard will have on its financial statements.

IFRS 8 – Operating segments

IFRS 8 replaces IAS 14 Segment Reporting and is effective for periods beginning on or after 1 January 2009. IFRS 8 adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. As the Company does not report any operating segment, this standard will have no impact on it.

(All amounts in EUR thousand unless otherwise stated)

2.5 Future changes in accounting policies (continued)

Standards, interpretations and amendments issued but not yet effective (continued)

IFRIC 11, IFRS 2-Group and Treasury Share Transactions

IFRIC 11 becomes effective for financial years beginning on or after 1 March 2007. This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent. IFRIC 11 is not relevant to the Company's operations.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. As the Company is not an operator, this Interpretation will have no impact on it.

IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Company expects that this interpretation will have no impact on the Company's financial statements as no such schemes currently exist.

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. The Company expects that this Interpretation will have no impact on its financial position or performance as it does not operate funded defined benefit schemes.

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3. Revenues and expenses

3.1 Sale of property

	<u>2007</u>	<u>2006</u>
Sale of land and buildings	172	334
Sale of land held for sale	40	-
	<u>212</u>	<u>334</u>

3.2 Cost of property sold

	<u>2007</u>	<u>2006</u>
Net book value of land and buildings sold	(16)	(44)
Net book value of land held for sale sold	(8)	-
	<u>(24)</u>	<u>(44)</u>

3.3 Administrative expenses

	<u>2007</u>	<u>2006</u>
Depreciation	(5)	(8)
Amortization	(1)	(2)
Salaries and related expenses	(56)	(51)
Security	(22)	(29)
VAT, local and alternative taxes	(21)	(28)
Other expenses	(4)	(9)
Fuel, spare parts and other materials	(2)	(10)
Electricity	(10)	(8)
Telephone and courier	(5)	(9)
Professional services	(11)	(5)
Audit fees	(1)	-
	<u>(138)</u>	<u>(159)</u>

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3. Revenues and expenses (continued)

3.4 Other expenses

	<u>2007</u>	<u>2006</u>
Expenses for re-cultivation of terrains	(77)	(427)
Expenses for tax penalties	-	(26)
Expenses for unrecognized VAT credit	-	(27)
Other	(5)	-
	<u>(82)</u>	<u>(480)</u>

3.5 Expenses by nature

	<u>2007</u>	<u>2006</u>
Materials	(14)	(13)
Hired services	(116)	(507)
Depreciation (note 5.1)	(5)	(8)
Amortization (note 6)	(1)	(2)
VAT, local and alternative taxes	(21)	(31)
Employee benefits expense (note 3.6)	(56)	(51)
Other	(7)	(27)
Total administrative and other expenses	<u>(220)</u>	<u>(639)</u>

3.6 Employee benefits expense

	<u>2007</u>	<u>2006</u>
Wages and salaries	(49)	(45)
Social security costs	(7)	(6)
	<u>(56)</u>	<u>(51)</u>

(All amounts in EUR thousand unless otherwise stated)

3. Revenues and expenses (continued)

3.7 Other income

	<u>2007</u>	<u>2006</u>
Sale of materials and scrap	5	24
Released liabilities for VAT claims	59	-
Other	14	29
	<u>78</u>	<u>53</u>

3.8 Finance revenue

	<u>2007</u>	<u>2006</u>
Interest income calculated using the effective interest method for financial assets carried at amortized cost:		
Bank accounts and deposits	-	2
	<u>-</u>	<u>2</u>

3.9 Finance costs

	<u>2007</u>	<u>2006</u>
Interest expense calculated using the effective interest method for financial liabilities carried at amortized cost:		
Loans received from related parties	(1)	(1)
Fee expense (other than amounts included in determining the effective interest rate arising from financial liabilities carried at amortized cost)	-	(2)
	<u>(1)</u>	<u>(3)</u>

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4. Income tax

The Company did not report any current or deferred taxes for the year ended 31 December 2007 (2006: Nil).

Reconciliation between income tax expense and the product of accounting profit/ (loss) multiplied by the statutory tax rate for the years ended 31 December 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Accounting profit / (loss) before income tax	45	(297)
Income tax expense at statutory tax rate of 15% for 2006 (2005: 15%)	(5)	45
Expenses not deductible for tax purposes	-	(5)
Revenue not subject to tax	6	-
Unused tax losses	<u>(1)</u>	<u>(40)</u>
Income tax expense	<u>-</u>	<u>-</u>

The Company has incurred tax losses as follows,

<u>Tax period</u>	<u>Period of availability for tax relief</u>	<u>2007</u>	<u>2006</u>
2007	2008 through 2012	5	-
2006	2007 through 2011	<u>263</u>	<u>263</u>
Total tax loss carried forward		268	263
Effective income tax rate		<u>10%</u>	<u>10%</u>
Deferred income tax asset not recognized		<u>27</u>	<u>26</u>

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 recognized for the tax losses carried forward as of 31 December 2007 (2006: Nil).

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5.1 Property, plant and equipment

	Land and buildings	Plant and machinery	Vehicles	Furniture and fittings	Total
Cost:					
At 1 January 2006	358	535	4	5	902
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Disposals	(100)	(285)	-	-	(385)
At 31 December 2006	258	250	4	5	517
Additions	-	-	-	-	-
Transfers	(1)	-	-	-	(1)
Disposals	(14)	(3)	-	-	(17)
At 31 December 2007	243	247	4	5	499
Depreciation and impairment:					
At 1 January 2006	151	508	4	4	667
Depreciation charge for the year	5	2	-	1	8
Disposals	(47)	(285)	-	-	(332)
At 31 December 2006	109	225	4	5	343
Depreciation charge for the year	4	1	-	-	5
Disposals	(1)	-	-	-	(1)
At 31 December 2007	112	226	4	5	347
Net book value:					
At 1 January 2006	207	27	-	1	235
At 31 December 2006	149	25	-	-	174
At 31 December 2007	131	21	-	-	152

Included in land and buildings is land with carrying amount of EUR 130 thousand (2006: EUR 144 thousand).

Impairment of property, plant and equipment

The management has performed an impairment review of property, plant and equipment and considered that there were no indications that the assets' carrying amounts might exceed their recoverable amounts.

Useful lives

The useful lives of the assets are estimated as follows:

	2007	2006
Buildings	4 to 25 years	4 to 25 years
Plant and machinery	2 to 25 years	2 to 25 years
Vehicles	5 to 15 years	5 to 15 years
Furniture and fittings	5 to 7 years	5 to 7 years

(All amounts in EUR thousand unless otherwise stated)

5.2 Non-current assets held for sale

As of 31 December 2007 the Company reported non-current assets held for sale of EUR 2 thousand (2006: EUR 9 thousand). They included land plots. According to the Board of Directors decision, the management committed to sell the land and concluded preliminary sale agreements with customers as of 31 December 2007. The land is expected to be sold by the end of 2008. The fair value less costs to sell did not exceed the carrying amount of land held for sale as of 31 December 2007.

6. Intangible assets

	Computer software	Total
Cost:		
At 1 January 2006	8	8
Additions	-	-
Disposals	-	-
At 31 December 2006	<u>8</u>	<u>8</u>
Additions	-	-
Disposals	-	-
At 31 December 2007	<u><u>8</u></u>	<u><u>8</u></u>
Amortization and impairment:		
At 1 January 2006	4	4
Amortization charge for the year	2	2
Disposals	-	-
At 31 December 2006	<u>6</u>	<u>6</u>
Amortization charge for the year	1	1
Disposals	-	-
At 31 December 2007	<u><u>7</u></u>	<u><u>7</u></u>
Net book value:		
At 31 December 2007	<u>1</u>	<u>1</u>
At 31 December 2006	<u>2</u>	<u>2</u>
At 1 January 2006	<u>4</u>	<u>4</u>

Impairment of intangible assets

The management has performed an impairment review of intangible assets and considered that there were no indications that the assets' carrying amounts might exceed their recoverable amounts.

Useful lives

The useful lives of the assets are estimated as follows:

	2007	2006
Computer software	<u>5 years</u>	<u>5 years</u>

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7. Trade and other receivables

	2007	2006
<i>Trade receivables, gross</i>	315	319
<i>Less: Provision for impairment</i>	(25)	(25)
Trade receivables, net	290	294
Taxes refundable	36	2
Deposit for bank guarantee	-	77
Other receivables	6	5
	332	378

Trade receivables are non-interest bearing and are generally on 1 - 30 days' terms.
Other receivables are non-interest bearing and are generally on 1 – 90 days' terms.

As at 31 December 2007, trade receivables at nominal value of EUR 315 thousand (2006: EUR 315 thousand) were impaired and provided for, following receivable collectability analysis performed by the Company's management. Trade receivables at nominal value of EUR 314 thousand (2006: EUR 314 thousand) related to a company which was both a debtor and a creditor to Granitoid AD and with which the Company was in litigation. The related impairment provision amounted to the excess of trade receivables from the debtor (EUR 314 thousand) over the Company's trade payables to it (EUR 290 thousand), i.e. EUR 24 thousand. The remaining EUR 1 thousand of provision for impairment related to a receivable at nominal value of EUR 1 thousand (i.e fully provided).

Movements in the provision for impairment of receivables were as follows:

	Provision for impairment of receivables
At 1 January 2006	(25)
Charge for the year	-
Utilized	-
Unused amounts reversed	-
At 31 December 2006	(25)
At 1 January 2007	(25)
Charge for the year	-
Utilized	-
Unused amounts reversed	-
At 31 December 2007	(25)

As at 31 December, the aging analysis of trade receivables which were not impaired, is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2007	290	-	-	-	-	-	290
2006	294	-	4	-	-	-	290

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8. Cash and short-term deposits

	<u>2007</u>	<u>2006</u>
Cash at bank	19	21
Cash in hand	<u>1</u>	<u>2</u>
	<u>20</u>	<u>23</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2007 the fair value of cash is EUR 20 thousand (2006: EUR 23 thousand).

9. Issued capital and reserves

9.1 Issued capital

	<u>2007</u>	<u>2006</u>
Ordinary shares of EUR 0.51 each, as per court registration	308	308
Hyperinflation adjustment	<u>18,809</u>	<u>18,809</u>
	<u>19,117</u>	<u>19,117</u>

In the period 1990-1997 the Bulgarian economy has experienced hyperinflation. According to IAS 29 Financial Reporting in Hyperinflationary Economies in such circumstances the Company has to hyper-inflate the amounts in its financial statements and to use them as a basis for the carrying amounts in its subsequent financial statements. The amount of EUR 18, 809 thousand represents the effect of hyperinflation of the share capital from its nominal and legally registered value of EUR 308 thousand to EUR 19, 117 thousand. The hyperinflation was performed using the movement in the exchange rate between Bulgarian Lev and German Mark (DEM) as the most representative and reasonable measure of inflation during that period.

	<u>Number of ordinary shares (thousands)</u>	<u>Authorized capital</u>
At 1 January 2006	603	308
At 1 January 2007	<u>603</u>	<u>308</u>
At 31 December 2007	<u>603</u>	<u>308</u>

All ordinary shares issued were fully paid.

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9. Issued capital and reserves (continued)

9.2 Reserves

Legal reserve

Legal reserves are formed as per article 246 of the Bulgarian Commercial Act stipulating reserve requirements for joint stock companies such as Granitoid AD. Legal reserves are required to equal one-tenth of the authorized capital. The source of the legal reserves comes from not less than one-tenth of earnings, premiums on share or debenture issues and other sources established by the articles of association of a company or the general meeting of its shareholders. The legal reserves can only be used to offset current year and prior year losses.

10. Trade and other payables

	<u>2007</u>	<u>2006</u>
Trade payables	302	306
Unused paid leave	6	5
Payables to personnel	3	3
Social security	1	1
Payroll taxes	1	1
VAT payable	-	4
Other taxes	-	2
Accrued expenses and liabilities	-	27
Deferred income	3	20
	<u>316</u>	<u>369</u>

Terms and conditions of the financial liabilities, set out in the table above, are as follows:

- Trade payables are non-interest bearing and are normally settled on 30-day terms;
- Tax payables are non-interest bearing and are paid within the deadlines of the legislation
- Other payables are non-interest bearing and have an average term of 30 days.

11. Provisions

	<u>Provision for other liabilities and charges</u>
At 1 January 2007	3
Arising during the year	-
At 31 December 2007	<u>3</u>

The provision related to amounts due to a former employee of the Company, who initiated litigation against Granitoid AD, regarding professional illness. At the date the financial statements were authorized for issue, the court case had not concluded its final decision. The management believes that the outcome of the litigation will not lead to any significant additional liabilities exceeding the amount of the provision as of 31 December 2007.

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12. Related party disclosures

The ultimate parent

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

Entity with controlling interest in the Company

Granitoid AD is controlled by REA Cement Limited, Cyprus, holding 91.26% of its shares.

Other related parties

Zlatna Panega Cement AD, Zlatna Panega Beton EOOD, Gravel and Sand Pits EAD and Granitoid AD are related parties because they are under the common control of Titan Cement Company S.A., Greece.

The following table provides the total amount of transactions, which have been entered into and the outstanding balances with related parties for the relevant financial year:

		<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Amounts owed from related parties</u>	<u>Amounts owed to related parties</u>
In respect of sales / purchases from related party					

Other related parties

Zlatna Panega Beton EOOD	2007	-	-	-	-
Zlatna Panega Beton EOOD	2006	1	-	1	-

		<u>Interest income</u>	<u>Interest expense</u>	<u>Amounts owed from related parties</u>	<u>Amounts owed to related parties</u>
In respect of loans from / to related party					

Other related parties

Zlatna Panega Cement AD	2007	-	1	-	1
Zlatna Panega Cement AD	2006	-	1	-	78

Terms and conditions of transactions with related parties

The sales and purchases from 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. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2007, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2006: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Loans from related party

Zlatna Panega Cement AD

During the year, Granitoid AD repaid the loan to its sole owner Zlatna Panega Cement AD in the amount of EUR 77 thousand received in 2006. The loan was unsecured and born interest at basic interest rate plus 2.5% spread.

(All amounts in EUR thousand unless otherwise stated)

13. Commitments and contingencies

Capital commitments

As of 31 December 2007, the Company had no capital commitments. (2006: Nil)

Legal claims

There is issued Tax Assessment Audit Act № 683/26.08.2004 with initial unrecognized tax credit with amount of EUR 102 thousand. In 2007 the Superior Court took a final decision on the Tax Assessment Audit Act № 683/26.08.2004 in favor of Granitoid AD. As a result liabilities recognized in prior years and related to VAT claims in the court of EUR 59 thousand were released in the Income Statement for the year ended 31 December 2007. The Company expects to receive reimbursement from the tax authorities in the amount of EUR 30 thousand for VAT receivables during 2008.

Except the stated above claim, which is fully provided in the books, the management does not foresee any other significant legal claims.

Other

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

- Corporate income tax – until 31 December 2004;
- VAT – until 30 September 2006;
- Personal income tax – until 31 December 2004;
- Social security contributions – until 31 December 2004;
- Local taxes and fees – until 31 December 2002;

The directors do not believe that, as of 31 December 2007, 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)

14. Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and trade payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash, which arise directly from its operations.

The main risks arising from 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 summarized below.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to its short-term loans from related parties with floating interest rates. This interest rate risk is managed at parent company level.

As the Company did not have any significant outstanding loans at year end, it is not exposed to significant interest rate risk.

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 and related parties through disbursement of loans.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

Year ended 31 December 2007

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Trade and other payables	-	26	-	290	-	316
Payables to related parties	-	1	-	-	-	1
	<u>-</u>	<u>27</u>	<u>-</u>	<u>290</u>	<u>-</u>	<u>317</u>

Year ended 31 December 2006

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Trade and other payables	-	79	-	290	-	369
Payables to related parties	-	78	-	-	-	78
	<u>-</u>	<u>157</u>	<u>-</u>	<u>290</u>	<u>-</u>	<u>447</u>

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.

(All amounts in EUR thousand unless otherwise stated)

14. Financial risk management objectives and policies (continued)

Credit risk

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount, except as disclosed in Note 7. There are no significant concentrations of credit risk within the Company.

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares, following the shareholders' approval. No changes were made in the objectives, policies or processes during the years ended 31 December 2007 and 31 December 2006.

The Company monitors its equity capital using earnings before interest, tax, depreciation and amortization (EBITDA) for the period.

	<u>2007</u>	<u>2006</u>
EBITDA	<u><u>52</u></u>	<u><u>(286)</u></u>

The Company is not subject to any externally imposed capital requirements. The structure and management of debt capital is determined at TITAN Group level.

15. Financial instruments

Fair values

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 realized.

The management of Granitoid AD believes that the fair value of financial instruments comprising cash items, trade and other receivables, trade and other payables, payables to and receivables from 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.

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15. Financial instruments (continued)

Fair values (continued)

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	<i>Carrying amount</i>		<i>Fair value</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<i>Financial assets</i>				
Trade and other receivables	332	378	332	378
Receivables from related parties	-	1	-	1
Cash and short-term deposits	20	23	20	23
<i>Financial liabilities</i>				
Trade payables and other payables	316	369	316	369
Payables to related parties	1	78	1	78

16. Events after the balance sheet date

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