

GRAVEL AND SAND PITS BULGARIA EAD

ANNUAL FINANCIAL STATEMENTS

31 December 2007

GRAVEL AND SAND PITS BULGARIA EAD

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GRAVEL AND SAND PITS BULGARIA EAD

General Information

Directors

Alexander Nakov Chakmakov
Mihalis Sigalas
Giorgos Moschopoulos
Prokopios Agamemnon Belezinis
Fokion Tasoulas
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
Business Park Sofia
Building 10, Floor 2
Mladost 4
1766 Sofia

**GRAVEL AND SAND PITS BULGARIA EAD
DIRECTORS' REPORT**

For the year ended 31 December 2007

(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 2007. These financial statements have been audited by Ernst and Young Audit OOD.

GENERAL INFORMATION AND BUSINESS DESCRIPTION

The Company was registered in the Republic of Bulgaria. Its main activity includes development and exploitation of aggregates quarries.

BUSINESS DESCRIPTION

Current year results

For the last 3 years, Gravel and Sand Pits Bulgaria EAD has performed mainly geological exploration activities for development of aggregates quarries in different parts of the country. Based on this, several procedures were started in the Ministry of Environment and Waters (MEW) for receiving permits for geological exploration of aggregates raw materials for concrete production and pavements, pursuant to the Law for Underground Resources. All procedures have progressed to a different stage.

In 2007, the Company completed geological exploration for two pits and the respective reports were submitted to MEW for approval. Two concession procedures have been started. This process will continue also in 2008 for the permits to be received in the future.

During the year, the Company acquired a wholly-owned subsidiary Double V Co EOOD, based in Rousse, which operates as a licensed port. Big plot of land was also purchased in the vicinity of the port in order to develop an aggregates operation in Rousse. Significant improvement was also achieved for obtaining mining permits for the Danube.

All activities for developing potential quarries were and will be financed by the parent company Zlatna Panega Cement AD, through increase of the Company's share capital or loans. At present, the Company works mainly with third party consultants and specialists, as the scope of activity does not require yet hiring of own personnel.

Share capital structure

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

Investments

As of 31 December 2007 Gravel and Sand Pits Bulgaria EAD holds interests in the following subsidiaries and associates:

- wholly-owned subsidiary, Rudmak DOOEL, FYROM, that is contracted for sale. The shares were transferred to Cementarnica Usje, FYROM in January 2008;
- wholly-owned subsidiary, "Double V"Co EOOD, Russe;
- associate Holcim Karierni Materiali AD with 48.77% participation;
- associate Karierni AD with 48.72% participation.

GRAVEL AND SAND PITS BULGARIA EAD DIRECTORS' REPORT

For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

OBJECTIVES OF THE COMPANY FOR 2008

The Directors set to achieve the following objectives in year 2008:

- Continue with concession procedures on the obtained permits;
- Obtain new permits for geological exploration;
- Start preparation for opening Rousse aggregates operation.

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 December 2007 the Board of Directors consists of:

1. Alexandar Nakov Chakmakov;
2. Mihalis Sigalas
3. Giorgos Moschopoulos
4. Fokion Tasoulas
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 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.

Alexandar Chakmakov
Executive Director
Sofia
1 February 2008



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**, 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

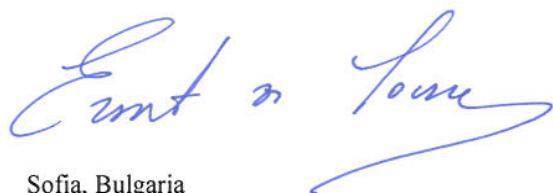
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 **GRAVEL AND SAND PITS BULGARIA EAD** 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

GRAVEL AND SAND PITS BULGARIA EAD
INCOME STATEMENT

For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Notes	2007	2006
Other income		5	-
Other expenses	3.1	(20)	-
Administrative expenses	3.2	(85)	(42)
Operating loss		(100)	(42)
Finance revenue	3.4	2,130	589
Finance costs	3.5	(63)	(84)
Profit before tax		1,967	463
Income tax expense	4	-	-
Profit for the year		1,967	463

Chief Executive Officer
Alexandar Chakmakov



The accompanying notes to the financial statements on pages 6 to 26 form an integral part of these financial statements.

GRAVEL AND SAND PITS BULGARIA EAD
BALANCE SHEET
As of 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Notes	2007	2006
ASSETS			
Non-current assets			
Property	5	1,688	-
Investments in subsidiaries	6.1	1,951	805
Investments in associates	6.2	-	114
		<u>3,639</u>	<u>919</u>
Current assets			
Other receivables	7	338	2
Investments held for sale	6.3	805	-
Cash and cash equivalents	8	5	33
		<u>1,148</u>	<u>35</u>
TOTAL ASSETS		<u><u>4,787</u></u>	<u><u>954</u></u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	9	69	69
Retained earnings		2,373	406
Total equity		<u>2,442</u>	<u>475</u>
Current liabilities			
Payables to related parties	10	2,345	479
		<u>2,345</u>	<u>479</u>
Total liabilities		<u>2,345</u>	<u>479</u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,787</u></u>	<u><u>954</u></u>

Chief Executive Officer
Alexandar Chakmakov



The accompanying notes to the financial statements on pages 6 to 26 form an integral part of these financial statements.

GRAVEL AND SAND PITS EAD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Issued capital (Note 9)	Retained earnings/(Accumulated loss)	Total
At 1 January 2006	26	(57)	(31)
Profit for the year	-	463	463
Increase of capital	43	-	43
At 31 December 2006	69	406	475
At 1 January 2006	69	406	475
Profit for the year	-	1,967	1,967
At 31 December 2007	69	2,373	2,442

Chief Executive Officer
Alexandar Chakmakov



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GRAVEL AND SAND PITS EAD
CASH FLOW STATEMENT
For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Notes	2007	2006
OPERATING ACTIVITIES			
Profit before tax		1,967	463
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Dividend income	3.4	(2,129)	(583)
Other finance revenue	3.4	-	(5)
Interest income	3.4	(1)	(1)
Interest expense	3.5	62	83
Working capital adjustments:			
(Increase)/Decrease in other receivables		(336)	4
Net cash flows used in operating activities		(437)	(39)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(1,688)	-
Purchase of subsidiaries	6.1	(1,951)	(800)
Purchase of investments in associates		-	(4,747)
Dividends received from associates	10	2,243	5,216
Interest received		1	1
Net cash flows used in investing activities		(1,395)	(330)
FINANCING ACTIVITIES			
Proceeds from loans from related parties		1,804	476
Interest paid		-	(80)
Net cash flows from financing activities		1,804	396
Net (decrease)/increase in cash and cash equivalents		(28)	27
Cash and cash equivalents at 1 January		33	6
Cash and cash equivalents at 31 December	8	5	33

Chief Executive Officer
Alexandar Chakmakov



The accompanying notes to the financial statements on pages 6 to 26 form an integral part of these financial statements.

GRAVEL AND SAND PITS EAD
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 Gravel and Sand Pits EAD (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.

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 2007 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).

The preparation of these annual financial statements of the Company is required by the ultimate parent company for its consolidation. Therefore, 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.

Going concern

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

The Company did not generate any operating income and its current liabilities exceed its current assets by EUR 1,197 thousand. 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 Gravel and Sand Pits Bulgaria EAD to continue operations in the future and have taken measures to strengthen its position by obtaining financial support from the parent company. 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.

(All amounts in EUR thousand unless otherwise stated)

2.1 Basis of preparation (continued)

Going concern (continued)

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.

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 – 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 are 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 – 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 12.

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.

(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 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.

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 no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Company.

Certain reclassifications of comparative information included in the cash flow statement were made in order to ensure consistency with the presentation of current financial year's figures. The comparative information for interest paid and interest received were reclassified from operating activities to financing and investing activities, respectively.

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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Property

Land is stated at cost less accumulated impairment in value.

Land is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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 derecognised.

Borrowing costs

Borrowing costs are recognized as an expense when incurred.

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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in profit or loss.

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 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 amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Investments and other financial assets (continued)

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 Note 6.

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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Investments 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.

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

Issued capital

Issued capital represents the par value of shares issued and paid by the shareholder. Any proceeds in excess of par value are recorded in share premium.

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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

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.

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).

Other income

Other revenue is recognised when the significant risks and rewards have passed to the buyer.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

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; 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.

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.

(All amounts in EUR thousand unless otherwise stated)

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

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 capitalisation 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 capitalise 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 capitalised 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.

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.

(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 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 recognised 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. Expenses and revenues

3.1 Other expenses

	<u>2007</u>	<u>2006</u>
Penalty for breaking a contract	(10)	-
Expenses for other goods	(5)	-
Other	(5)	-
	<u>(20)</u>	<u>-</u>

3.2 Administrative expenses

	<u>2007</u>	<u>2006</u>
Consultancy fees	(83)	(39)
Other services	(2)	(3)
	<u>(85)</u>	<u>(42)</u>

3.3 Expenses by nature

	<u>2007</u>	<u>2006</u>
Hired services	(85)	(42)
Other	(20)	-
Total expenses included in administrative and other expenses	<u>(105)</u>	<u>(42)</u>

3.4 Finance revenue

	<u>2007</u>	<u>2006</u>
Dividends received from associates (Note 6.2)	2,129	583
Bank accounts and deposits	1	1
Other	-	5
	<u>2,130</u>	<u>589</u>

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3. Expenses and revenues (continued)

3.5 Finance costs

	<u>2007</u>	<u>2006</u>
Interest expense calculated using the effective interest method for financial liabilities carried at amortised cost:		
Loans received from related parties	(62)	(82)
Fee expense (other than amounts included in determining the effective interest rate) arising from financial liabilities carried at amortised cost	(1)	(1)
Foreign exchange losses	-	(1)
	<u>(63)</u>	<u>(84)</u>

4. Income tax

The Company did not report any current or deferred tax for the years ended 31 December 2007 and 2006:

In 2007 the nominal statutory tax rate is 10% (2006: 15%). For 2008 the nominal statutory tax rate is 10%.

Reconciliation between income tax expense and the product of accounting profit 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 before income tax	1,967	463
Income tax expense at statutory tax rate of 10% for 2007 (2006: 15%)	(197)	(69)
Expenses not deductible for tax purposes	(2)	-
Revenue not subject to tax	214	87
Unused tax losses	(15)	(18)
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	147	-
2006	2007 through 2011	120	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		345	198
Effective income tax rate		10%	10%
Deferred income tax asset not recognized		35	20

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4. Income tax (continued)

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 2007 and 2006.

5. Property

	<u>Land</u>	<u>Total</u>
Cost:		
At 1 January 2006	-	-
Additions	-	-
Transfers	-	-
Disposals	-	-
At 31 December 2006	-	-
Additions	1,688	1,688
Transfers	-	-
Disposals	-	-
At 31 December 2007	<u>1,688</u>	<u>1,688</u>
Depreciation and impairment:		
At 1 January 2006	-	-
Depreciation charge for the year	-	-
Disposals	-	-
At 31 December 2006	-	-
Depreciation charge for the year	-	-
Disposals	-	-
At 31 December 2007	<u>-</u>	<u>-</u>
Net book value:		
At 01 January 2006	-	-
At 31 December 2006	-	-
At 31 December 2007	<u>1,688</u>	<u>1,688</u>

Impairment of property

Based on the impairment review performed the management considers that indications that there are no indicators that the assets' carrying amounts might exceed their recoverable amounts.

The land is a non-depreciable asset.

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6. Equity investments

6.1 Investments in subsidiaries

	Country of incorporation	% equity interest	
		2007	2006
Rudmak EOOD	FYROM	-	100%
Double V Co	Bulgaria	100%	-

The investments in subsidiaries are measured at cost as follows,

	2007	2006
Double V Co	1,951	-
Rudmak EOOD (note 6.3)	-	805
	1,951	805

During 2007 the Company acquired 100% interest in Double V Co EOOD Bulgaria for a total consideration of EUR 1,951 thousand.

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

6.2 Investments in associates

	Country of incorporation	% equity interest	
		2007	2006
Karieri AD	Bulgaria	48.72%	48.72%
Holcim Karierni Materiali AD	Bulgaria	48.77%	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 in 2006	1,591	3,156	4,747
Less: Dividends received from pre-acquisition earnings in 2006	(1,477)	(3,156)	(4,633)
Cost of investments in associates as of 31 December 2006	114	-	114
Less: Dividends received from pre-acquisition earnings in 2007	(114)	-	-
Cost of investments in associates as of 31 December 2007	-	-	-

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6. Equity investments (continued)

6.2 Investments in associates (continued)

The excess of dividends received from pre-acquisition earnings of associates, over the purchase consideration paid, in the amount of EUR 1,194 thousand (2006: EUR 583 thousand) and the dividends received from post-acquisition earnings of associates in the amount of EUR 935 thousand (2006: Nil) are recognised as finance revenue in the income statement (Note 3.4).

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

6.3 Investments held for sale

	Country of incorporation	% equity interest	
		2007	2006
Rudmak EOOD	FYROM	100%	-

The investments held for sale are measured at the lower of cost and fair value less costs to sell as follows,

	2007	2006
Rudmak EOOD (at cost)	805	-
	805	-

At the end of year 2007, the Company signed a contract to sell its interest in Rudmak EOOD, FYROM (a wholly-owned subsidiary) to Cementarnica Usje, a subsidiary of Titan Cement SA. Therefore, the investment in Rudmak EOOD was presented as held for sale as at 31 December 2007. The transaction was finalized after the year end, as disclosed in note 14.

7. Other receivables

	2007	2006
Value added tax receivable	338	-
Other	-	2
	338	2

Value added tax receivable is non-interest bearing and is expected to be settled within the legally prescribed terms.

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8. Cash and cash equivalents

	2007	2006
Cash at bank	5	33
	5	33

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2007, the fair value of cash and cash equivalents was EUR 5 thousand (2006: EUR 33 thousand).

9. Issued capital

	2007	2006
Ordinary shares of EUR 0.51 each, as per court registration	69	69
	69	69

	Number of ordinary shares (thousand)	Authorised and issued share capital
At 1 January 2006	50	26
Issued on 2 March 2006 for cash	85	43
At 31 December 2006	135	69
At 31 December 2007	135	69

All ordinary shares issued were fully paid.

10. 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

Double V Co EOOD, registered in Russe and Rudmak EOOD, registered in FYROM are wholly-owned subsidiaries of the Company.

Associates

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

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10. Related party disclosures (continued)

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

		<u>Purchase of investments</u>	<u>Dividends received</u>	<u>Amounts owed from related parties</u>	<u>Amounts owed to related parties</u>
Dividends received/purchases from related party					
<i>Subsidiaries</i>					
Double V Co EOOD	2007	1,951	-	-	-
Double V Co EOOD	2006	-	-	-	-
Rudmak EOOD (held for sale)	2007	-	-	-	-
Rudmak EOOD (held for sale)	2006	805	-	-	-
<i>Associates</i>					
Karierni AD	2007	-	477	-	-
Karierni AD	2006	1,591	1,477	-	-
Holcim Karierni Materiali AD	2007	-	1,766	-	-
Holcim Karierni Materiali AD	2006	3,156	3,739	-	-
	2007			<u>-</u>	<u>-</u>
	2006			<u>-</u>	<u>-</u>
				<u>Amounts owed from related parties</u>	<u>Amounts owed to related parties</u>

Loans from

Entity with controlling interest in the Company

Zlatna Panega Cement AD	2007	-	-	-	2,345
Zlatna Panega Cement AD	2006	-	80	-	479

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. There have been no guarantees provided or received for any related party receivables or payables. As of 31 December 2007, there are no amounts owed by related parties (2006: Nil).

(All amounts in EUR thousand unless otherwise stated)

10. Related party disclosures (continued)

Loans from related parties

Zlatna Panega Cement AD

During the year, Gravel and Sand Pits Bulgaria EAD received a loan of EUR 2,345 thousand from its parent company, Zlatna Panega Cement AD (2006: EUR 479 thousand). It is intended to finance the investment in the Company's wholly-owned subsidiary Rudmak EOOD, FYROM and the acquisition of Double V Co, Rousse. The loan is unsecured and is repayable in 2008. Interest is charged at the 1M sofibor rate plus spread of 0.65%.

11. Commitments and contingencies

Capital commitments

There are no capital commitments valid as of 31 December 2007.

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 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.

12. 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 loans from related parties with floating interest rates. This interest rate risk is managed at parent company level.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on the floating rate borrowings). There is no impact on the Company's equity.

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12. Financial risk management objectives and policies (continued)

	Increase/ decrease in basis points	Effect on profit before tax
2007		
Loans in BGN	+200	(22)
Loans in BGN	-100	11
2006		
Loans in BGN	+200	(32)
Loans in BGN	-100	16

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.

The table below summarises the maturity profile of the Company's financial based on contractual undiscounted payments.

Year ended 31 December 2007

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Payables to related parties	-	-	2,345	-	-	2,345

Year ended 31 December 2006

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Payables to related parties	-	-	479	-	-	479

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.

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12. Financial risk management objectives and policies (continued)

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 and maximise 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 sole shareholder or issue new shares, following sole shareholder's approval. No changes were made in the objectives, policies or processes during the years end 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.

	2007	2006
EBITDA	<u>(100)</u>	<u>(36)</u>

The Company is not subject to any externally imposed capital requirements. The structure and management of debt capital is determined by the parent company, Zlatna Panega Cement AD.

13. 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. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

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.

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>	
	2007	2006	2007	2006
<i>Financial assets</i>				
Cash and short-term deposits	5	33	5	33
<i>Financial liabilities</i>				
Payables to related parties	2,345	479	2,345	479

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14. Events after the balance sheet date

The transfer of shares of Rudmak EOOD, FYROM (a wholly-owned subsidiary) to Cementarnica Usje, FYROM was registered in the court on 2 January 2008.

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