GRANITOID AD

ANNUAL FINANCIAL STATEMENTS

31 December 2008

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Directors

Alexander Nakov Chakmakov
Mihailis Sigalas
Giorgos Moschopoulos
Konstantinos Derdemezis
Fokion Tasulas
Ioannis Georgakakis

Registered office

Batanovtcy, Pernik Region

Solicitors

Penkov & Markov
Futcova, Hristova & Tomeshkova
Alexander Sazdov

Bankers

EFG Eurobank

Auditors

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

(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 2008, 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. In 2008 the company started used tyre collection process with sales of the tyres to Zlatna Panega Cement, which the latter uses as a fuel.

OPERATING REVIEW

Current year results

The operating result for 2008 is positive. The profit amounts to EUR 11 thousand.

Dividends and profit distribution

The Annual general meeting of the shareholders was held on June 2008. No decision for dividend and profit distribution was taken. The next meeting at which an operating review for the year 2008 will be performed, will be held in April 2009.

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 2009

The Directors have set the following objectives for the year 2009:

- 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 2008

(All amounts in EUR thousand unless otherwise stated)

CORPORATE GOVERNANCE

In accordance with the Commercial legislation in Bulgaria, as at 31 December 2008 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 2008 consists of:

1. Alexander Nakov Chakmakov
2. Mihailis Sigalas
3. Konstantinos Derdemezis
4. Fokion Tasulas
5. Ioannis 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 2008.

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
29 January 2009

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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 2008, 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.

Member of Ernst & Young Global

Ernst & Young Audit OOD, with seat and address of management in Sofia, Mladost district, complex Mladost 4, Business Park Sofia, Building 10, Floor 2.
UIC: 130972874, VAT # BG130972874;
BGN IBAN: BG84 BPBI 7942 1072 0546 02,
BIC: BPBIBGSF with EUROBANK EFG Bulgaria AD.

ERNST & YOUNG

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 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed by the EU.

Ernst & Young Audit OOD

Sofia, Bulgaria

30 January 2009

GRANITOID AD
INCOME STATEMENT
For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
Sale of tyres		18	-
Cost of sales		(20)	-
Gross profit		**(2)**	**-**
Sale of property	3.1	150	212
Cost of property sold	3.2	(11)	(24)
Profit from sale of property		**139**	**188**
Other income	3.7	44	78
Administrative expenses	3.3	(112)	(138)
Other expenses	3.4	(58)	(82)
Operating profit		**11**	**46**
Finance costs	3.8	-	(1)
Profit before tax		**11**	**45**
Income tax expense	4	-	-
Profit for the year		**11**	**45**

Alexander Chakmakov
Executive Director

The accompanying notes to the financial statements on pages 7 to 30 form an integral part of these financial statements.

GRANITOID AD
BALANCE SHEET
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	5	152	152
Intangible assets	6	-	1
		152	**153**
Current assets			
Trade and other receivables	7	5	332
Receivables from related parties	12	1	-
Non-current assets held for sale		-	2
Cash and short-term deposits	8	58	20
		64	**354**
TOTAL ASSETS		**216**	**507**
EQUITY AND LIABILITIES			
Equity			
Issued capital	9.1	19,117	19,117
Legal reserve	9.2	62	62
Accumulated losses		(18,981)	(18,992)
Total equity		**198**	**187**
Current liabilities			
Trade and other payables	10	18	316
Payables to related parties	12	-	1
Provisions	11	-	3
		18	**320**
Total liabilities		**18**	**320**
TOTAL EQUITY AND LIABILITIES		**216**	**507**

Alexander Chakmakov
Executive Director

The accompanying notes to the financial statements on pages 7 to 30 form an integral part of these financial statements.

GRANITOID AD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Issued capital (note 9.1)	Legal reserve (note 9.2)	Accumulated losses	Total
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**
At 1 January 2008	19,117	62	(18,992)	187
Profit for the year	-	-	11	11
At 31 December 2008	**19,117**	**62**	**(18,981)**	**198**

Alexander Chakmakov
Executive Director

The accompanying notes to the financial statements on pages 7 to 30 form an integral part of these financial statements.

GRANITOID AD
CASH FLOW STATEMENT
For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
OPERATING ACTIVITIES			
Profit before tax		**11**	**45**
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	5	1	5
Amortisation of intangible assets	6	1	1
Profit from disposal of property, plant and equipment		(139)	(188)
Movement in provision for other liabilities and charges	11	(3)	-
Interest expense	3.8	-	1
Working capital adjustments:			
Decrease in trade and other receivables		326	47
Decrease in prepayments		-	5
Decrease in trade and other payables		(299)	(53)
Net cash flows used in operating activities		**(102)**	**(137)**
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	3.1	123	172
Proceeds from sale of non-current assets held for sale	3.1	27	40
Purchase of property, plant and equipment	5	(10)	-
Net cash flows from investing activities		**140**	**212**
FINANCING ACTIVITIES			
Repayment of borrowings from related parties		-	(77)
Interest paid		-	(1)
Net cash flows used in financing activities		-	**(78)**
Net increase/(decrease) in cash and cash equivalents		**38**	**(3)**
Cash and cash equivalents at 1 January		**20**	**23**
Cash and cash equivalents at 31 December	8	**58**	**20**

Alexander Chakmakov
Executive Director

The accompanying notes to the financial statements on pages 7 to 30 form an integral part of these financial statements.

(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 2008 were authorized for issue in accordance with a resolution of the Board of Directors on 29 January 2009.

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 2008 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 2008

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

The Company has adopted the following IFRIC interpretations as of 1 January 2008. Adoption of these interpretations did not have any effect on the financial performance or position of the Company.

- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effect of these changes is as follows:

IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

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, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Company has not issued, bought or been provided by shareholders with instruments caught by this interpretation.

IFRIC 14 *IAS 19 – The limit on a Defined Benefit Asset, Minimum funding requirements and their Interaction*

IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can e recognised as an asset under IAS 19 Employee Benefits. As the retirement benefit plan of the Company is unfunded, this interpretation has no impact on it.

(All amounts in EUR thousand unless otherwise stated)

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 for 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. Further details are provided in Note 5 and Note 6.

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). In connection to the translation (from functional to presentation currency) no foreign exchange differences have arisen.

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 losses, if any. 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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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.

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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Financial assets

Initial recognition
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. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially, at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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.

The Company's financial assets include cash and short term deposits and trade and other receivables.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities

Initial recognition
Financial liabilities are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially, at fair value plus, and in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and interest bearing loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Cash and cash equivalents

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

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

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.

Derecognition of financial assets and liabilities

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

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

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

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

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

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

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

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.

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 tyres and other assets
Revenue from the sale of tyres and 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 tyres and 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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Taxes (continued)

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

Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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.

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 2009 or later periods but which the Company has not early adopted, as follows:

IFRS 1 First-time Adoption (Amended) and IAS 27 Consolidated and Separate Financial Statements (Amended)
Amendments to IFRS 1 and IAS 27 become effective for annual periods beginning on or after 1 January 2009. The amendments to IFRS 1 allow the cost of investments in subsidiaries, jointly controlled entities or associates (in the opening IFRS financial statements) to be determined as either cost in accordance with IAS 27 or deemed cost. The amended IAS 27 requires all dividends from subsidiaries, jointly controlled entities or associates to be recognized in profit or loss in separate financial statements. Further, it allows cost of an investment in a subsidiary, in limited reorganizations, to be based on the previous carrying amount of the subsidiary rather than its fair value. The Company does not expect these amendments to impact its separate financial statements.

IFRS 2 Share-based Payments – Vesting Conditions and Cancellations
This amendment to IFRS 2 Share-based Payments was issued in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. As the Company does not have share-based payment schemes, the amendment will not have impact on it.

IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Revised)
The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised IFRS 3 and the revised IAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests. The revised standards have not yet been endorsed by the EU.

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.

Improvements to International Financial Reporting Standards ("IFRSs") 2008.
Improvements to IFRSs were issued on 22 May 2008 by the International Accounting Standards Board and is the first standard issued as part of its "Annual Improvements Process" and include a number of minor changes to various IFRSs. The amendments are made to specify the contents of the rules and eliminate unintended inconsistencies among the standards. Most of the amendments become effective for fiscal years starting on or after 1 January 2009. The impacts of the first-time application of these amendments on the Company's financial statements are currently being reviewed.

(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)

IAS 1 Presentation of Financial Statements - Revised
The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

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 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 on or after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 39 and IFRS 7, Reclassification of Financial Assets (Amended)
The amendments were issued in October 2008 and become effective from 1 July 2008. The amendment to IAS 39 permits reclassification of non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category as well as transfer from the available-for-sale category to loans and receivables, in particular circumstances. The amendment to IFRS 7 requires specific disclosures in respect of the above reclassifications. The Company does not expect these amendments to impact its financial statements.

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments
Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Company does not expect these amendments to impact its financial statements.

IFRIC 12 – Service Concession Arrangements
The IFRIC issued IFRIC 12 in November 2006. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Company is not an operator and, therefore, this interpretation has no impact on it. IFRIC 12 has not been yet endorsed by EU.

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.

(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 15 - Agreements for the Construction of Real Estate
IFRIC 15 was issued on 3 July 2008 and is effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively. IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue' and, accordingly, when revenue from such construction should be recognised. This interpretation will have no impact on the Company's financial statements. IFRIC 15 has not yet been endorsed by the EU.

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
IFRIC 16 was issued on 3 July 2008 and is effective for annual periods beginning on or after 1 October 2008 and can be applied retrospectively or prospectively. IFRIC 16 clarifies three main issues, namely:

- A presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.
- Hedging instrument(s) may be held by any entity or entities within the group.
- Provides guidance on how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The interpretation concludes that while IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 must be applied in respect of the hedged item.

This interpretation will have no impact on the Company's financial statements. IFRIC 16 has not yet been endorsed by the EU.

IFRIC 17 – Distributions of Non-cash Assets to Owners
IFRIC 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009 and must be applied prospectively. IFRIC 17 applies to all non-reciprocal distributions of non-current assets to owners. It provides guidance when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability and consequences of doing so. The Company is in the process of assessing the impact of IFRIC 17 on its financial statements. This interpretation has not yet been endorsed by the EU.

IFRIC Interpretation 18 - Transfers of Assets from Customers.
The interpretation was issued in January 2009 and is effective for transfers of assets from customers received on or after 1 July 2009. IFRIC 18 applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers and addresses the following issues: (a) Is the definition of an asset met?; (b) If the definition of an asset is met, how should the transferred item of property, plant and equipment be measured on initial recognition?; (c) If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?; (d) How should the entity account for a transfer of cash from its customer ? The Company does not expect this Interpretation to impact its financial statements. IFRIC 18 has not yet been endorsed by the EU.

(All amounts in EUR thousand unless otherwise stated)

3. Revenues and expenses

3.1 Sale of property

	2008	2007
Sale of land and buildings	123	172
Sale of land held for sale	27	40
	150	**212**

3.2 Cost of property sold

	2008	2007
Net book value of land and buildings sold	(9)	(16)
Net book value of land held for sale sold	(2)	(8)
	(11)	**(24)**

3.3 Administrative expenses

	2008	2007
Salaries and related expenses	(61)	(56)
Security	(17)	(22)
Electricity	(12)	(10)
VAT, local and alternative taxes	(7)	(21)
Telephone and courier	(6)	(5)
Fuel, spare parts and other materials	(2)	(2)
Depreciation	(1)	(5)
Amortization	(1)	(1)
Audit fees	(1)	(1)
Professional services	-	(11)
Other expenses	(4)	(4)
	(112)	**(138)**

3.4 Other expenses

	2008	2007
Expenses for re-cultivation of terrains	(17)	(77)
Expenses for tax penalties	(41)	-
Other	-	(5)
	(58)	**(82)**

(All amounts in EUR thousand unless otherwise stated)

3. Revenues and expenses (continued)

3.5 Expenses by nature

	2008	2007
Materials	(14)	(14)
Hired services	(45)	(116)
Depreciation (Note 5)	(1)	(5)
Amortization (Note 6)	(1)	(1)
VAT, local and alternative taxes	(7)	(21)
Employee benefits expense (Note 3.6)	(61)	(56)
Other	(41)	(7)
Total administrative and other expenses	**(170)**	**(220)**

3.6 Employee benefits expense

	2008	2007
Wages and salaries	(54)	(49)
Social security costs	(7)	(7)
	(61)	**(56)**

3.7 Other income

	2008	2007
Sale of materials and scrap	-	5
Released liabilities for VAT claims	30	59
Other	14	14
	44	78

(All amounts in EUR thousand unless otherwise stated)

3. Revenues and expenses (continued)

3.8 Finance costs

	2008	2007
Interest expense calculated using the effective interest method for financial liabilities carried at amortized cost:		
Loans received from related parties (note 12)	-	(1)
	-	**(1)**

4. Income tax

The Company did not report any current or deferred taxes for the year ended 31 December 2008 (2007: 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 2008 and 2007 is as follows:

	2008	2007
Accounting profit before income tax	11	45
Income tax expense at statutory tax rate of 10% for 2008 (2007: 10%)	(1)	(5)
Expenses not deductible for tax purposes	-	-
Revenue not subject to tax	1	6
Tax losses on which no deferred tax is recognised	-	(1)
Income tax expense	-	-

The Company has incurred tax losses as follows,

Tax period	Period of availability for tax relief	2008	2007
2007	2008 through 2012	5	5
2006	2007 through 2011	253	263
Total tax loss carried forward		258	268
Effective income tax rate		10%	10%
Deferred income tax asset not recognized		**26**	**27**

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 2008 (2007: Nil).

(All amounts in EUR thousand unless otherwise stated)

5. Property, plant and equipment

	Land and buildings	Plant and machinery	Vehicles	Furniture and fittings	Total
Cost:					
At 1 January 2007	258	250	4	5	517
Additions	-	-	-	-	-
Transfers	(1)	-	-	-	(1)
Disposals	(14)	(3)	-	-	(17)
At 31 December 2007	243	247	4	5	499
Additions	-	-	10	-	10
Transfers	-	-	-	-	-
Disposals	(8)	(65)	(4)	-	(77)
At 31 December 2008	**235**	**182**	**10**	**5**	**432**
Depreciation and impairment:					
At 1 January 2007	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
Depreciation charge for the year	-	-	1	-	1
Disposals	-	(64)	(4)	-	(68)
At 31 December 2008	**112**	**162**	**1**	**5**	**280**
Net book value:					
At 1 January 2007	**149**	**25**	-	-	**174**
At 31 December 2007	**131**	**21**	-	-	**152**
At 31 December 2008	**123**	**20**	**9**	-	**152**

Included in land and buildings is land with carrying amount of EUR 120 thousand (2007: EUR 130 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:

	2008	2007
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)

6. Intangible assets

	Computer software	Total
Cost:		
At 1 January 2007	8	8
Additions	-	-
Disposals	-	-
At 31 December 2007	8	8
Additions	-	-
Disposals	(8)	-
At 31 December 2008	-	-
Amortization and impairment:		
At 1 January 2007	6	6
Amortization charge for the year	1	1
Disposals	-	-
At 31 December 2007	7	7
Amortization charge for the year	1	1
Disposals	(8)	(8)
At 31 December 2008	-	-
Net book value:		
At 1 January 2007	**2**	**2**
At 31 December 2007	**1**	**1**
At 31 December 2008	-	-

As at 31 December 2008 intangible assets are fully amortised.

Useful lives
The useful lives of the assets are estimated as follows:

	2008	2007
Computer software	5 years	5 years

7. Trade and other receivables

	2008	2007
Trade receivables, gross	-	315
Less: Provision for impairment	-	(25)
Trade receivables, net	-	290
Taxes refundable	5	36
Other receivables	-	6
	5	**332**

Tax receivables are non-interest bearing and are set within the dedlines of the legislation.

(All amounts in EUR thousand unless otherwise stated)

7. Trade and other receivables (continued)

Since 2003 Granitoid AD reported gross trade receivables of EUR 315 thousand from and trade payables of EUR 290 thousand to a counter party. These receivables and payables were outstanding for more than five years. In the past Granitoid AD initiated legal proceedings against the counter party. However the representatives of the latter could not be found and thus the litigation was stopped. In 2003 Granitoid AD partially impaired the trade receivables by EUR 25 thousand representing the excess of trade receivables over trade payables. As of 31 December 2008 the management assessed that the five year legal prescription period for these trade payables and receivables according to the Bulgarian law have expired. Consequently they were derecognized through offset based on the protocol for offsetting signed by and between Granitoid AD and the counter party, and the management's intentions to settle them on a net basis, which crystallized in 2008.

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

	Provision for impairment of receivables
At 1 January 2007	(25)
Charge for the year	-
Utilized	-
At 31 December 2007	**(25)**
At 1 January 2008	(25)
Charge for the year	-
Utilized	25
At 31 December 2008	-

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

			Past due but not impaired				
	Total	Neither past due nor impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2008	-	-	-	-	-	-	-
2007	290	-	-	-	-	-	290

8. Cash and short-term deposits

	2008	2007
Cash at bank	-	19
Cash in hand	58	1
	58	**20**

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2008 the fair value of cash is EUR 58 thousand (2007: EUR 20 thousand).

(All amounts in EUR thousand unless otherwise stated)

9. Issued capital and reserves

9.1 Issued capital

	2008	2007
Ordinary shares of EUR 0.51 each, as per court registration	308	308
Hyperinflation adjustment	18,809	18,809
	19,117	**19,117**

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.

	Number of ordinary shares (thousands)	Authorized capital
At 1 January 2007	603	308
At 1 January 2008	603	308
At 31 December 2008	**603**	**308**

All ordinary shares issued were fully paid.

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

	2008	2007
Trade payables	7	302
Unused paid leave	6	6
Payables to personnel	2	3
Social security	1	1
Payroll taxes	1	1
Deferred income	1	3
	18	**316**

(All amounts in EUR thousand unless otherwise stated)

10. Trade and other payables (continued)

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.

During 2008 the Company derecognized payables for the total amount of EUR 295 thousand of which EUR 290 thousand were derecognized through offset with trade receivable. Please refer to Note 7 for details.

11. Provisions

	Provision for other liabilities and charges
At 1 January 2007	3
Charge for the year	-
At 31 December 2007	**3**
At 1 January 2008	3
Charge for the year	-
Utilized	(3)
At 31 December 2008	**-**

The provision related to amounts due to a former employee of the Company, who initiated a litigation against Granitoid AD. During 2008 the Company lost the court case and paid to the employee which resulted in the utilization of the provison made.

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 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:

(All amounts in EUR thousand unless otherwise stated)

12. Related party disclosures (continued)

		Sales to related parties	Purchases from related parties	Amounts owed from related parties	Amounts owed to related parties
In respect of sales / purchases from related party					
Other related parties					
Zlatna Panega Cement AD	2008	28	-	1	-
Zlatna Panega Cement AD	2007	-	-	-	-
Zlatna Panega Beton EOOD	2008	3	-	-	-
Zlatna Panega Beton EOOD	2007	-	-	-	-
	2008			1	-
	2007			-	-

		Interest income	Interest expense	Amounts owed from related parties	Amounts owed to related parties
In respect of loans from / to related party					
Other related parties					
Zlatna Panega Cement AD	2008	-	-	-	-
Zlatna Panega Cement AD	2007	-	1	-	1

Terms and conditions of transactions with related parties

The sales and purchases from related parties are made at contracted 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 2008, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2007: 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.

Compensation of key management personnel

	2008	2007
Short-term employee benefits	28	23
	28	23

(All amounts in EUR thousand unless otherwise stated)

13. Commitments and contingencies

Capital commitments

As of 31 December 2008, the Company had no capital commitments. (2007: Nil)

Legal claims

There is issued Tax Assessment Audit Act № 1400421/12.09.2007 with initial unrecognized tax credit with amount of EUR 20 thousand for the period 01 January 2005 – 30 July 2006. The Tax Assessment Audit Act was appealed in front of the Sofia Administrative Court. As at the date of the report no a decision of the court has been issued yet.

There is issued Tax Assessment Audit Act № 1400848/10.10.2006 which defines additional tax obligations due for Income tax in the amount of EUR 17 thousand for the year 2004. The Tax Assessment Audit Act was appealed in front of Sofia City Court and there is a new hearing for 3 February 2009.

The above stated additional tax liabilities were fully settled in prior years.

Other

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

- Corporate income tax 1 – January 2005 - 31 December 2006;
- VAT – 1 October 2006 - 31 January 2008;
- Personal income tax – 1 January 2005 - 31 December 2006;
- Social security contributions – 1 January 2005 - 31 December 2006;
- Local taxes and fees – 1 January 2005 - 31 December 2006;

The directors do not believe that, as of 31 December 2008, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

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.

(All amounts in EUR thousand unless otherwise stated)

14. Financial risk management objectives and policies (continued)

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

As of 31 December 2008

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	-	18	-	-	-	18
Payables to related parties	-	-	-	-	-	-
	-	**18**	**-**	**-**	**-**	**18**

As of 31 December 2007

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

Foreign exchange risk

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

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. 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 2008 and 31 December 2007.

(All amounts in EUR thousand unless otherwise stated)

14. Financial risk management objectives and policies (continued)

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

	2008	2007
EBITDA	**13**	**52**

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.

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.