



**GRAVEL AND SAND PITS BULGARIA EAD**

**ANNUAL FINANCIAL STATEMENTS**

**31 December 2008**

# GRAVEL AND SAND PITS BULGARIA EAD

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**Directors**

Alexander Nakov Chakmakov  
Mihalis Sigalas  
Giorgos Moschopoulos  
Konstantinos Derdemezis  
Fokion Tasoulas  
Ioannis Georgakakis

**Registered office**

6, Poruchik Nedelcho Bonchev Str.  
Sofia

**Solicitors**

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

**Bankers**

Bulgarian Post 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 2008

(All amounts in EUR thousand unless otherwise stated)

**DIRECTORS REPORT**

The Directors present the report and the separate financial statements of Gravel and sand pits Bulgaria EAD prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union, for the year ended 31 December 2008. 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**

In the last few years, the activity of Gravel and Sand Pits Bulgaria EAD was mainly focused on geological exploration of potential aggregates quarries in different parts of the country and the procedures developed to a different stage.

As a result, two concession procedures are ongoing in the Ministry of Regional Development with the objective to obtain concession rights for exploitation of aggregates quarries and start production operations.

Green-field aggregates operation is under development for the region of Rousse. Administrative and legal procedures are ongoing for future excavation activities in the Danube river and construction of processing facilities. The acquired in year 2007 investment in subsidiary, Double V Co, as part of the project, fulfilled all legal requirements for port operation arising from license provisions and further performed boats reconstruction.

All activities for developing potential quarries were financed by dividends from associated companies and temporary shortages were financed by the parent company Zlatna Panega Cement AD through loans. At present, the Company works mainly with third party consultants and specialists, as the scope of activity does not require hiring of own personnel yet.

Gravel and Sand Pits Bulgaria EAD sold its shares in the fully-owned subsidiary, Rudmak DOOEL, FYROM, that was contracted for sale in 2007. The shares were transferred to Cementarnica Usje, FYROM, in January 2008.

**Share capital structure**

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

**Investments**

As of 31 December 2008, Gravel and Sand Pits Bulgaria EAD holds interests in the following subsidiaries and associates:

- fully-owned subsidiary, Double V Co EOOD, Rousse;
- associate Holcim Karierni Materiali Sofia AD with 48.77% participation;
- associate Holcim Karierni Materiali Plovdiv AD with 48.72% participation.

**OBJECTIVES OF THE COMPANY FOR 2009**

The Directors set to achieve the following objectives in year 2009:

- Continue with ongoing concession procedures;
- Complete 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 effective realization of the Company's objectives.

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

For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

**CORPORATE GOVERNANCE**

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

As at 31 December 2008, the Board of Directors consists of:

1. Alexander Nakov Chakmakov
2. Mihalis Sigalas
3. Konstantinos Derdemezis
4. Fokion Tasoulas
5. Ioannis Georgakakis

Alexander 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 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  
Sofia  
29 January 2009



## 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 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.

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 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.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young Audit OOD

Sofia, Bulgaria

30 January 2009

**GRAVEL AND SAND PITS BULGARIA EAD**  
**INCOME STATEMENT**

For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
Other income		-	5
Other expenses	3.1	-	(20)
Administrative expenses	3.2	(140)	(85)
<b>Operating loss</b>		<b>(140)</b>	<b>(100)</b>
Finance revenue	3.4	3,115	2,130
Finance costs	3.5	(112)	(63)
<b>Profit before tax</b>		<b>2,863</b>	<b>1,967</b>
Income tax expense	4	(1)	-
<b>Profit for the year</b>		<b>2,862</b>	<b>1,967</b>

Chief Executive Officer  
 Alexandar Chakmakov



The accompanying notes to the financial statements on pages 7 to 29 form an integral part of these financial statements.



**GRAVEL AND SAND PITS BULGARIA EAD**  
**BALANCE SHEET**

As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	2,988	1,688
Investments in subsidiaries	6.1	1,951	1,951
Investments in associates	6.2	-	-
		<u>4,939</u>	<u>3,639</u>
<b>Current assets</b>			
Other receivables	7	18	338
Receivables from related parties	10	344	-
Investments held for sale	6.3	-	805
Cash and cash equivalents	8	4	5
		<u>366</u>	<u>1,148</u>
<b>TOTAL ASSETS</b>		<u><b>5,305</b></u>	<u><b>4,787</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	9.1	69	69
Legal reserves	9.2	7	-
Retained earnings		5,228	2,373
<b>Total equity</b>		<u><b>5,304</b></u>	<u><b>2,442</b></u>
<b>Non-current liabilities</b>			
Deferred tax liability	4	1	-
		<u>1</u>	<u>-</u>
<b>Current liabilities</b>			
Payables to related parties	10	-	2,345
		<u>-</u>	<u>2,345</u>
<b>Total liabilities</b>		<u><b>1</b></u>	<u><b>2,345</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>5,305</b></u>	<u><b>4,787</b></u>

Chief Executive Officer  
 Alexandar Chakmakov



The accompanying notes to the financial statements on pages 7 to 29 form an integral part of these financial statements.

**GRAVEL AND SAND PITS BULGARIA EAD**  
**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 reserves (Note 9.2)	Retained earnings/(Accumulated loss)	Total
At 1 January 2007	69	-	406	475
Profit for the year	-	-	1,967	1,967
At 31 December 2007	69	-	2,373	2,442
At 1 January 2008	69	-	2,373	2,442
Profit for the year	-	-	2,862	2,862
Transfer to reserves	-	7	(7)	-
At 31 December 2008	69	7	5,228	5,304

Chief Executive Officer  
Alexandar Chakmakov



The accompanying notes to the financial statements on pages 7 to 29 form an integral part of these financial statements.

**GRAVEL AND SAND PITS BULGARIA EAD**  
**CASH FLOW STATEMENT**  
For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
<b>OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>2,863</b>	<b>1,967</b>
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	5	14	-
Dividend income	3.4	(3,042)	(2,129)
Other finance revenue	3.4	(70)	-
Interest income	3.4	(3)	(1)
Interest expense	3.5	112	62
Working capital adjustments:			
Decrease/(Increase) in other receivables		320	(336)
<b>Net cash flows from/(used in) operating activities</b>		<b>194</b>	<b>(437)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	5	(1,314)	(1,688)
Loans granted to related parties		(342)	-
Purchase of subsidiaries	6.1	-	(1,951)
Proceeds from sale of investment in subsidiary	6.3	875	-
Dividends received from associates	10	3,042	2,243
Interest received		1	1
<b>Net cash flows from/(used in) investing activities</b>		<b>2,262</b>	<b>(1,395)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of loans to related parties		(3,883)	-
Proceeds from loans from related parties		1,603	1,804
Interest paid		(177)	-
<b>Net cash flows (used in)/from financing activities</b>		<b>(2,457)</b>	<b>1,804</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1)</b>	<b>(28)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>5</b>	<b>33</b>
<b>Cash and cash equivalents at 31 December</b>	8	<b>4</b>	<b>5</b>

Chief Executive Officer  
Alexander Chakmakov



The accompanying notes to the financial statements on pages 7 to 29 form an integral part of these financial statements.

(All amounts in EUR thousand unless otherwise stated)

## **1. Corporate information**

The financial statements of Gravel and Sand Pits Bulgaria EAD (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.

Gravel and Sand Pits Bulgaria 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 financial year ends 31 December.

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

As of 31 December 2008 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 Bulgaria 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 Bulgaria 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 Company is itself a wholly-owned subsidiary of the ultimate parent Titan Cement S.A., Greece;
- 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. The future viability of the Company depends upon the business environment as well as upon the continuing support of the sole shareholders and other related parties. 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.

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 be recognised as an asset under IAS 19 Employee Benefits. As the Company has no employees, this interpretation has no impact on its financial statements.

## 2.3 Significant accounting judgments, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Useful lives of property plant and equipment*

Accounting for property, plant and equipment 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.

(All amounts in EUR thousand unless otherwise stated)

## **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/or 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 recognised in profit or loss as incurred.

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

An item of property, plant and equipment is 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.

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.

### **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.

(All amounts in EUR thousand unless otherwise stated)

## **2.4 Summary of significant accounting policies (continued)**

### **Impairment of non-financial assets (continued)**

Impairment losses 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.

### **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 loan and other receivables.

#### **Subsequent measurement**

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

##### *Investments in subsidiaries and associates*

Investments in subsidiaries and associates are measured at cost (according to IAS 27 Consolidated and separate financial statements) in these separate financial statements. Further details are given in Note 2.1 above 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. 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 within the scope of IAS 39 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.

(All amounts in EUR thousand unless otherwise stated)

## 2.4 Summary of significant accounting policies (continued)

### Financial liabilities (continued)

#### Initial recognition (continued)

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 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.

#### 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 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.



(All amounts in EUR thousand unless otherwise stated)

## **2.4 Summary of significant accounting policies (continued)**

### **Issued capital**

Issued capital represents the par value of shares issued and paid by the shareholders. 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.

### **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.

(All amounts in EUR thousand unless otherwise stated)

## **2.4 Summary of significant accounting policies (continued)**

### **Provisions**

#### *General*

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

### **Revenue recognition**

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

#### *Dividends*

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

#### *Interest income*

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

#### *Other income*

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

### **Taxes**

#### *Current income tax*

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

(All amounts in EUR thousand unless otherwise stated)

## 2.4 Summary of significant accounting policies (continued)

### Taxes (continued)

#### *Deferred income tax*

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

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

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

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

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

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

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

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

#### *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 rise 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.

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## 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.

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**3. Expenses and revenues**

**3.1 Other expenses**

	<u>2008</u>	<u>2007</u>
Penalty for breaking a contract	-	(10)
Expenses for other goods	-	(5)
Other	-	(5)
	<u>-</u>	<u>(20)</u>

**3.2 Administrative expenses**

	<u>2008</u>	<u>2007</u>
Consultancy fees	(48)	(83)
Other professional services	(35)	-
Local taxes	(20)	-
Depreciation (note 5)	(14)	-
Other services	(23)	(2)
	<u>(140)</u>	<u>(85)</u>

**3.3 Expenses by nature**

	<u>2008</u>	<u>2007</u>
Hired services	(126)	(85)
Depreciation (note 5)	(14)	-
Other	-	(20)
<b>Total expenses included in administrative and other expenses</b>	<b><u>(140)</u></b>	<b><u>(105)</u></b>

**3.4 Finance revenue**

	<u>2008</u>	<u>2007</u>
Interest income calculated using the effective interest method for financial assets carried at amortised cost:		
Bank accounts and deposits	3	1
Dividends received from associates (Note 6.2)	3,042	2,129
Gain from sale of investment in subsidiary (Note 6.3)	70	-
	<u>3,115</u>	<u>2,130</u>

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**3. Expenses and revenues (continued)**

**3.5 Finance costs**

	<u>2008</u>	<u>2007</u>
Interest expense calculated using the effective interest method for financial liabilities carried at amortised cost:		
Loans received from related parties	(112)	(62)
Fee expense (other than amounts included in determining the effective interest rate) arising from financial liabilities carried at amortised cost	-	(1)
	<u>(112)</u>	<u>(63)</u>

**4. Income tax**

The major components of income tax expense for the year ended 31 December 2008 and 2007 are:

	<u>2008</u>	<u>2007</u>
Deferred income tax expense	(1)	-
<b>Income tax expense reported in the income statement</b>	<u>(1)</u>	<u>-</u>

In 2008 the nominal statutory tax rate is 10% (2007: 10%). For 2009 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 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Accounting profit before income tax	2,863	1,967
Income tax expense at statutory tax rate of 10% for 2008 (2007: 10%)	(286)	(197)
Expenses not deductible for tax purposes	(11)	(2)
Revenue not subject to tax	304	214
Tax losses for which no deferred tax asset was recognised	(6)	(15)
Other	(2)	-
<b>Income tax expense</b>	<u>(1)</u>	<u>-</u>



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**4. Income tax (continued)**

Deferred income tax at 31 December relates to the following:

	Balance Sheet		Income Statement	
	2008	2007	2008	2007
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	1	-	(1)	-
	<u>1</u>	<u>-</u>		
<b>Deferred tax expense</b>			<b>(1)</b>	<b>-</b>
<b>Deferred tax liability, net</b>	<b>1</b>	<b>-</b>		

The Company has incurred tax losses as follows,

Tax period	Period of availability for tax relief	2008	2007
2008	2009 through 2013	60	-
2007	2008 through 2012	147	147
2006	2007 through 2011	120	120
2005	2006 through 2010	52	52
2004	2005 through 2009	8	8
Total tax losses carried forward		387	327
Effective income tax rate		10%	10%
Deferred income tax asset not recognized		39	33

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 2008 and 2007.

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**5. Property, plant and equipment**

	Land	Plant and Machinery	Assets under Construction	Total
<b>Cost:</b>				
At 1 January 2007	-	-	-	-
Additions	1,688	-	-	1,688
Disposals	-	-	-	-
At 31 December 2007	1,688	-	-	1,688
Additions	1,101	200	13	1,314
Disposals	-	-	-	-
At 31 December 2008	<u>2,789</u>	<u>200</u>	<u>13</u>	<u>3,002</u>
<b>Depreciation and impairment:</b>				
At 1 January 2007	-	-	-	-
Depreciation charge for the year	-	-	-	-
Disposals	-	-	-	-
At 31 December 2007	-	-	-	-
Depreciation charge for the year	-	14	-	14
Disposals	-	-	-	-
At 31 December 2008	<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>
<b>Net book value:</b>				
At 01 January 2007	-	-	-	-
At 31 December 2007	1,688	-	-	1,688
At 31 December 2008	<u>2,789</u>	<u>186</u>	<u>13</u>	<u>2,988</u>

*Impairment of property, plant and equipment*

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

*Useful lives*

The land is a non-depreciable asset.

The useful lives of the assets are estimated as follows:

	2008
Plant and machinery	10 to 25 years

*Assets under construction*

Capital expenditure relates to the development of green-field aggregates operation in Rousse.

(All amounts in EUR thousand unless otherwise stated)

## 6. Equity investments

### 6.1 Investments in subsidiaries

	Country of incorporation	% equity interest	
		2008	2007
Double V Co	Bulgaria	100%	100%

The investment in subsidiary is measured at cost as follows,

	2008	2007
Double V Co	1,951	1,951
	<b>1,951</b>	<b>1,951</b>

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 subsidiary 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	
		2008	2007
Holcim Karierni Materiali Plovdiv AD	Bulgaria	48.72%	48.72%
Holcim Karierni Materiali Sofia 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,

	Holcim Karierni Materiali Plovdiv AD	Holcim Karierni Materiali Sofia AD	Total
<b>Cost of investments in associates as of 1 January 2007</b>	<b>114</b>	<b>-</b>	<b>114</b>
Less: Dividends received from pre-acquisition earnings in 2007	(114)	-	(114)
<b>Cost of investments in associates as of 31 December 2007</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cost of investments in associates as of 31 December 2008</b>	<b>-</b>	<b>-</b>	<b>-</b>

(All amounts in EUR thousand unless otherwise stated)

## 6. Equity investments (continued)

### 6.2 Investments in associates (continued)

For 2008 the dividends received from post-acquisition earnings of associates in the amount of EUR 3,042 thousand are recognised as finance revenue in the income statement (2007: EUR 2,129 thousand comprising of dividend received from pre-acquisition earning of EUR 935 thousand plus the excess of dividends received from pre-acquisition earnings of associates, over the purchase consideration paid of EUR 1,194 thousand. (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	
		2008	2007
Rudmak EOOD	FYROM	-	100%

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

	2008	2007
Rudmak EOOD (at cost)	-	805
	<b>-</b>	<b>805</b>

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 in 2008, since 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. The Company recognized gain from the sale of its investment in Rudmak DOOEL of EUR 70 thousand (note 3.4).

## 7. Other receivables

	2008	2007
Value added tax receivable	18	338
	<b>18</b>	<b>338</b>

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

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**8. Cash and cash equivalents**

	<u>2008</u>	<u>2007</u>
Cash at bank	4	5
	<u>4</u>	<u>5</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2008, the fair value of cash and cash equivalents was EUR 4 thousand (2007: EUR 5 thousand).

**9. Issued capital and reserves**

**9.1 Issued capital**

	<u>2008</u>	<u>2007</u>
Ordinary shares of EUR 0.51 each, as per court registration	69	69
	<u>69</u>	<u>69</u>

	<u>Number of ordinary shares (thousand)</u>	<u>Authorised and issued share capital</u>
At 1 January 2007	135	69
At 31 December 2007	<u>135</u>	<u>69</u>
At 31 December 2008	<u>135</u>	<u>69</u>

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 Gravel and Sand Pits Bulgaria EAD. Legal reserves are required to equal one-tenth of the authorised 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.

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**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 is a wholly-owned subsidiary of the Company. Effective 2 January 2008 the Company disposed its wholly-owned subsidiary of Rudmak EOOD, FYROM.

*Associates*

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

*Other related parties*

Granitoid AD, Cementarnica Usje AD, Cementarnica Kosjeric are related parties because they are under the common control of Titan Cement Company SA (the ultimate parent).

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

		<u>Dividends received</u>	<u>Amounts owed from related parties</u>	<u>Amounts owed to related parties</u>
<b>Dividends received/purchases from related party</b>				
<i>Associates</i>				
Holcim Karierni Materiali Plovdiv AD	2008	705	-	-
Holcim Karierni Materiali Plovdiv AD	2007	477	-	-
Holcim Karierni Materiali Sofia AD	2008	2,337	-	-
Holcim Karierni Materiali Sofia AD	2007	1,766	-	-
	2008		<u>-</u>	<u>-</u>
	2007		<u>-</u>	<u>-</u>

(All amounts in EUR thousand unless otherwise stated)

**10. Related party disclosures (continued)**

		<u>Interest received</u>	<u>Interest paid</u>	<u>Amounts owed from related parties</u>	<u>Amounts owed to related parties</u>
<b>In respect of loans from / to related party</b>					
<i>Entity with controlling interest in the Company</i>					
Zlatna Panega Cement AD	2008	-	177	344	-
Zlatna Panega Cement AD	2007	-	-	-	2,345
	2008			<u>344</u>	<u>-</u>
	2007			<u>-</u>	<u>2,345</u>

**Terms and conditions of transactions with related parties**

Transactions with 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 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 period by examining the financial position of the related party and the market in which the related party operates.

**Loans owed to related parties**

*Zlatna Panega Cement AD*

During 2008, Gravel and Sand Pits Bulgaria EAD received a loan of EUR 1,603 thousand from its parent company, Zlatna Panega Cement AD. The loan was unsecured and was fully repaid in 2008. Interest is charged at the 1M Sofibor rate plus spread of 0.65%.

During 2007, Gravel and Sand Pits Bulgaria EAD received a loan of EUR 2,345 thousand from its parent company, Zlatna Panega Cement AD. The loan was unsecured and was fully repaid in 2008. Interest is charged at the 1M Sofibor rate plus spread of 0.65%.

**Loans owed from related parties**

*Zlatna Panega Cement AD*

During 2008, Gravel and Sand Pits Bulgaria EAD granted a loan to its parent company Zlatna Panega Cement AD of EUR 342 thousand (2007: EUR Nil). It is intended to finance the working capital needs of the parent company. The loan is unsecured and is repayable in 2009. Interest is charged at the 1M Sofibor rate plus spread of 1.30%.

(All amounts in EUR thousand unless otherwise stated)

## **11. Commitments and contingencies**

### **Capital commitments**

There are no capital commitments valid as of 31 December 2008.

### **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.
- VAT until – 31 March 2008;

For the other taxes no tax audits were performed.

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.

## **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, receivables from related parties 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 to/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.



(All amounts in EUR thousand unless otherwise stated)

## 12. Financial risk management objectives and policies (continued)

	Increase/ decrease in basis points	Effect on profit before tax
<b>2008</b>		
Loans in BGN	+200	(26)
Loans in BGN	-100	13
<b>2007</b>		
Loans in BGN	+200	(22)
Loans in BGN	-100	11

### *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 liabilities 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
Payables to related parties	-	-	-	-	-	-

#### **As of 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

### *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.

(All amounts in EUR thousand unless otherwise stated)

## 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 2008 and 31 December 2007.

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

	2008	2007
EBITDA	<u>(126)</u>	<u>(100)</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, and loans from/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

## 14. Events after the balance sheet date

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