

GRANITOID AD

ANNUAL FINANCIAL STATEMENTS

31 December 2010

GRANITOID AD

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GRANITOID AD

General Information

Directors

Alexander Nakov Chakmakov
Mihailis Sigalas
Konstantinos Derdemezis
Fokion Tasulas

Registered office

Batanovtcy, Pernik Region

Solicitors

Penkov & Markov
Alexander Sazdov

Bankers

Eurobank EFG Bulgaria AD

Auditors

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

GRANITOID AD
DIRECTORS' REPORT
For the year ended 31 December 2010

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 2010, that have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union. These financial statements have been audited by Ernst & Young Audit OOD.

BUSINESS DESCRIPTION

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

OPERATING REVIEW

Current year results

The operating result for 2010 is negative. The loss amounts to EUR 39 thousand (2009: 65 EUR thousand loss).

Dividends and profit distribution

The Annual general meeting of the shareholders was held in April 2010. Given the financial performance and position of the Company, no decision for dividend and profit distribution was taken. The next meeting at which an operating review for the year 2010 will be performed, will be held in April 2011.

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 2011

The Directors have set the following objectives for the year 2011:

- 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 2010

CORPORATE GOVERNANCE

In accordance with the Commercial legislation in Bulgaria, as at 31 December 2010 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 2010 consists of:

1. Alexander Nakov Chakmakov
2. Mihailis Sigalas
3. Konstantinos Derdemezis
3. Fokion Tasulas

Executive Director of the Company is Alexander Nakov Chakmakov.

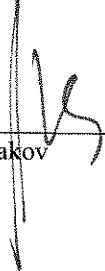
Directors' Responsibilities

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 2010.

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
31 January 2011



Independent auditors' report

To the shareholders of

Granitoid AD

Report on the financial statements

We have audited the accompanying financial statements of Granitoid AD, which comprise the balance sheet as of 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted for use in the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of financial statements that give a true and fair view 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 2010, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted for use in the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that as at 31 December 2010 the equity of Granitoid AD is less than its issued capital by EUR 19,023 thousand which is not in compliance with article 252 of the Commercial Act. The Company has not taken measures to bring the share capital in accordance with the law, within the legally prescribed terms.

Ernst & Young
Ernst & Young Audit OOD

Sofia, Bulgaria

18 February 2011

GRANITOID AD
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

| | Notes | 2010 €000 | 2009 €000 |
|--|-------|--------------|--------------|
| Sale of tyres | | - | 3 |
| Cost of sales | | - | (2) |
| Gross profit | | - | 1 |
| Sale of property, plant and equipment | 5.1 | - | 17 |
| Cost of property, plant and equipment sold | 5.2 | - | (10) |
| Profit from sale of property | | - | 7 |
| Other income | 5.7 | 8 | 3 |
| Administrative expenses | 5.3 | (39) | (73) |
| Other expenses | 5.4 | (6) | (3) |
| Operating loss before tax | | (37) | (65) |
| Finance cost | 5.8 | (2) | - |
| Loss before tax | | (39) | (65) |
| Income tax | 6 | - | - |
| Loss for the year | | (39) | (65) |
| Other comprehensive income for the year, net of tax | | - | - |
| Total comprehensive income for the year | | (39) | (65) |

Alexander Chakmakov
Executive Director



The accompanying notes to the financial statements on pages 7 to 24 form an integral part of these financial statements.

GRANITOID AD
BALANCE SHEET
As of 31 December 2010

| | <u>Notes</u> | <u>2010</u> | <u>2009</u> |
|-------------------------------------|--------------|-------------------|-------------------|
| | | <u>€000</u> | <u>€000</u> |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 139 | 140 |
| | | <u>139</u> | <u>140</u> |
| Current assets | | | |
| Other receivables | | 1 | 1 |
| Cash and short-term deposits | 8 | 1 | 9 |
| | | <u>2</u> | <u>10</u> |
| TOTAL ASSETS | | <u>141</u> | <u>150</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Issued capital | 9.1 | 19,117 | 19,117 |
| Legal reserve | 9.2 | 62 | 62 |
| Accumulated losses | | (19,085) | (19,046) |
| Total equity | | <u>94</u> | <u>133</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | 5 | 17 |
| Payables to related parties | 11 | 42 | - |
| | | <u>47</u> | <u>17</u> |
| Total liabilities | | <u>47</u> | <u>17</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>141</u> | <u>150</u> |

Alexander Chakmakov
Executive Director



The accompanying notes to the financial statements on pages 7 to 24 form an integral part of these financial statements.

GRANITOID AD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

| | Issued capital (note 9.1) | Legal reserve (note 9.2) | Accumulated losses | Total |
|---|------------------------------|-----------------------------|-----------------------|------------|
| | €000 | €000 | €000 | €000 |
| At 1 January 2009 | 19,117 | 62 | (18,981) | 198 |
| Total comprehensive income for the year | - | - | (65) | (65) |
| At 31 December 2009 | 19,117 | 62 | (19,046) | 133 |
| At 1 January 2010 | 19,117 | 62 | (19,046) | 133 |
| Total comprehensive income for the year | - | - | (39) | (39) |
| At 31 December 2010 | 19,117 | 62 | (19,085) | 94 |

Alexander Chakmakov
Executive Director



The accompanying notes to the financial statements on pages 7 to 24 form an integral part of these financial statements.

GRANITOID AD
CASH FLOW STATEMENT
For the year ended 31 December 2010

| | <u>Notes</u> | <u>2010</u> €000 | <u>2009</u> €000 |
|--|--------------|---------------------|---------------------|
| OPERATING ACTIVITIES | | | |
| Loss before tax | | (39) | (65) |
| Adjustments to reconcile loss before tax to net cash flows | | | |
| Non-cash: | | | |
| Depreciation of property, plant and equipment | 7 | 1 | 2 |
| Profit from disposal of property, plant and equipment | | - | (7) |
| Interest expenses | 5.8 | 2 | - |
| Working capital adjustments: | | | |
| Decrease in other receivables | | - | 5 |
| Decrease in trade and other payables | | (12) | (1) |
| Net cash flows used in operating activities | | (48) | (66) |
| INVESTING ACTIVITIES | | | |
| Proceeds from sale of property, plant and equipment | | - | 17 |
| Net cash flows from investing activities | | - | 17 |
| FINANCING ACTIVITIES | | | |
| Proceeds from loans from related parties | | 40 | - |
| Net cash flows from financing activities | | 40 | - |
| | | | |
| Net (decrease) in cash and cash equivalents | | (8) | (49) |
| Cash and cash equivalents at 1 January | | 9 | 58 |
| Cash and cash equivalents at 31 December | 8 | 1 | 9 |

Alexander Chakmakov
Executive Director



The accompanying notes to the financial statements on pages 7 to 24 form an integral part of these financial statements.

GRANITOID AD

NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2010

1. Corporate information

The financial statements of Granitoid AD ("the Company") for the year ended 31 December 2010 were authorized for issue in accordance with a resolution of the Board of Directors on 31 January 2011.

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 2010 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.

For the year ended 31 December 2010 the Company realized negative cash flow from operating activities at the amount of EUR 48 thousand. Further the operations of the Company resulted in significant accumulated losses at the amount of EUR 19,085 thousand as of 31 December 2010. This may cast doubts as regards its ability to continue 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.

GRANITOID AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2010

2.2 Summary of significant accounting policies

a) 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.

b) 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 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.

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.

c) Taxes

Current income tax

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

Deferred income tax

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2.2 Summary of significant accounting policies (continued)

c) Taxes (continued)

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.

d) Financial instruments – initial recognition and subsequent measurement

• Financial assets

Initial recognition and measurement

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short term deposits 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. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in other expenses.

2.2 Summary of significant accounting policies (continued)

d) Financial instruments – initial recognition and subsequent measurement (continued)

- Financial assets (continued)

Derecognition

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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.

Impairment of financial assets

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

Financial assets carried at amortised cost

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 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

2.2 Summary of significant accounting policies (continued)

d) Financial instruments – initial recognition and subsequent measurement (continued)

- **Financial liabilities**

Initial recognition and measurement

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, and in the case of loans and borrowings, plus 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.

Derecognition

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

When 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.

e) 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.

f) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 14.

g) 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.

GRANITOID AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2010

2.2 Summary of significant accounting policies (continued)

h) 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 as follows:

| | 2010 | 2009 |
|------------------------|---------------|---------------|
| 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 |

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 statement of comprehensive income 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.

i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessary takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

j) 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.

2.2 Summary of significant accounting policies (continued)

k) 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.

2.3 Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 2 *Share-based Payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010
- IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5 IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective 1 July 2009
- Improvements to IFRSs (May 2008 and April 2009)

The adoption of the standards or interpretations is described below:

IFRS 2 *Share-based Payment (Revised)*

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Company adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the Company.

IFRS 3 *Business Combinations (Revised)* and IAS 27 *Consolidated and Separate Financial Statements (Amended)*

IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a 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 by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.

As the Company did not report any business combinations, nor any subsidiaries, the above revisions and amendments did not have an impact on its financial statements.

IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company has concluded that the amendment will have no impact on its financial position or performance, as it has not entered into any such hedges.

2.3 Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

IFRIC 17 Distribution of Non-cash Assets to Owners

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or performance of the Company.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. These amendments, as listed below, did not have any impact on the accounting policies, financial position or performance of the Company.

- IFRS 2 *Share-based Payment*
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*
- IFRS 8 *Operating Segments*
- IAS 1 *Presentation of Financial Statements*
- IAS 7 *Statement of Cash Flows*
- IAS 17 *Leases*
- IAS 34 *Interim Financial Reporting*
- IAS 36 *Impairment of Assets*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 9 *Reassessment of Embedded Derivatives*
- IFRIC 16 *Hedge of a Net Investment in a Foreign Operation*

3. Significant accounting judgements, estimates and assumptions

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

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 2.2 h).

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.

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4. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 12 *Income Taxes (Amendment)*

The amendment provides a practical solution to the problem of determining whether assets measured using the fair value model in IAS 40 Investment Property are recovered through use or through sale. The amendment is effective for annual periods beginning on or after 1 July 2011. The Company does not expect any impact on its financial position or performance. The amendment has not been endorsed by EU yet.

IAS 24 *Related Party Disclosures (Amendment)*

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Company does not expect any impact on its financial position or performance.

IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues (Amendment)*

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Company after initial application.

IFRS 7 *Financial Instruments: Disclosures (Amendments)*

The amendments improve the disclosure requirements in relation to transferred financial assets. They are effective for annual periods beginning on or after 1 July 2011. The amendments are deemed to have no impact on the financial statements of the Company. They have not been endorsed by EU yet.

IFRS 9 *Financial Instruments: Classification and Measurement*

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The Company is in the process of assessing the impact of IFRS 9 on its financial position or performance. The Standard has not been endorsed by EU yet.

IFRIC 14 *Prepayments of a minimum funding requirement (Amendment)*

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Company.

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

Improvements to IFRSs (issued in May 2010)

The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The Company expects no impact from the adoption of the amendments on its financial position or performance. The improvements have not been endorsed by EU yet.

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5. Revenues and expenses

5.1 Sale of property, plant and equipment

| | <u>2010</u> | <u>2009</u> |
|----------------------------|-------------|-------------|
| | €000 | €000 |
| Sale of land and buildings | - | 8 |
| Sale of vehicles | - | 9 |
| | <u>-</u> | <u>17</u> |

5.2 Cost of property, plant and equipment sold

| | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| | €000 | €000 |
| Net book value of land and buildings sold | - | (1) |
| Net book value of vehicles sold | - | (9) |
| | <u>-</u> | <u>(10)</u> |

5.3 Administrative expenses

| | <u>2010</u> | <u>2009</u> |
|----------------------------------|-------------|-------------|
| | €000 | €000 |
| Salaries and related expenses | (21) | (39) |
| Legal claims expenses | (6) | - |
| Security | (3) | (17) |
| Electricity | (3) | (4) |
| VAT, local and alternative taxes | (2) | (3) |
| Telephone and courier | (1) | (4) |
| Depreciation | (1) | (1) |
| Audit fees | (1) | (1) |
| Other expenses | (1) | (4) |
| | <u>(39)</u> | <u>(73)</u> |

5.4 Other expenses

| | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| | €000 | €000 |
| Staff leaving indemnities | (2) | - |
| Retirement benefit charge | (4) | - |
| Expenses for re-cultivation of terrains | - | (1) |
| Expenses for tax penalties | - | (2) |
| | <u>(6)</u> | <u>(3)</u> |

GRANITOID AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2010

5. Revenues and expenses (continued)

5.5 Expenses by nature

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|--------------------|
| | €000 | €000 |
| Materials | (3) | (5) |
| Hired services | (6) | (25) |
| Depreciation (Note 7) | (1) | (2) |
| VAT, local and alternative taxes | (2) | (3) |
| Employee benefits expense (Note 5.6) | (25) | (39) |
| Other | (8) | (2) |
| Total administrative and other expenses | <u>(45)</u> | <u>(76)</u> |

5.6 Employee benefits expense

| | <u>2010</u> | <u>2009</u> |
|---------------------------|--------------------|--------------------|
| | €000 | €000 |
| Wages and salaries | (20) | (36) |
| Social security costs | (1) | (3) |
| Retirement benefit charge | (4) | - |
| | <u>(25)</u> | <u>(39)</u> |

5.7 Other income

| | <u>2010</u> | <u>2009</u> |
|-------------------------------------|-----------------|-----------------|
| | €000 | €000 |
| Sale of materials and scrap | 7 | - |
| Released liabilities for VAT claims | - | 2 |
| Other | 1 | 1 |
| | <u>8</u> | <u>3</u> |

5.8. Finance cost

| | <u>2010</u> | <u>2009</u> |
|--------------------------------------|-------------------|-----------------|
| | €000 | €000 |
| Interest expenses to related parties | (2) | - |
| | <u>(2)</u> | <u>-</u> |

GRANITOID AD
NOTES TO THE FINANCIAL STATEMENTS

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6. Income tax

The Company did not report any current or deferred taxes for the year ended 31 December 2010 (2009: nil).

In 2010 the nominal statutory tax rate is 10% (2009: 10%).

Reconciliation between income tax expense and the result of accounting loss multiplied by the statutory tax rate for the years ended 31 December 2010 and 2009 is as follows:

| | <u>2010</u> | <u>2009</u> |
|--|-------------|-------------|
| | <u>€000</u> | <u>€000</u> |
| Accounting loss before income tax | (39) | (65) |
| Income tax benefit at statutory tax rate of 10% for 2010 (2009: 10%) | 4 | 7 |
| Tax losses on which no deferred tax asset is recognised | (4) | (7) |
| Income tax | <u>-</u> | <u>-</u> |

The Company has incurred tax losses as follows:

| <u>Tax period</u> | <u>Period of availability for tax relief</u> | <u>2010</u> | <u>2009</u> |
|---|--|-------------|-------------|
| | | <u>€000</u> | <u>€000</u> |
| 2010 | 2011 through 2015 | 39 | - |
| 2009 | 2010 through 2014 | 67 | 67 |
| 2007 | 2008 through 2012 | 5 | 5 |
| 2006 | 2007 through 2011 | 253 | 253 |
| Total tax loss carried forward | | 364 | 325 |
| Effective income tax rate | | <u>10%</u> | <u>10%</u> |
| Deferred income tax asset not recognized | | <u>36</u> | <u>33</u> |

These losses can be carried forward as relief against future taxable profits. However, since the amounts and timing of future taxable income cannot be estimated reliably due to the uncertainties of the economic environment of the Company, no deferred tax asset has been recognized for the tax losses carried forward as of 31 December 2010 (2009: Nil).

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NOTES TO THE FINANCIAL STATEMENTS
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7. Property, plant and equipment

| | Land and buildings | Plant and machinery | Vehicles | Furniture and fittings | Total |
|----------------------------------|-----------------------|------------------------|----------|---------------------------|------------|
| | €000 | €000 | €000 | €000 | €000 |
| Cost: | | | | | |
| At 1 January 2009 | 235 | 182 | 10 | 5 | 432 |
| Disposals | (1) | - | (10) | - | (11) |
| At 31 December 2009 | 234 | 182 | - | 5 | 421 |
| Disposals | - | (5) | - | - | (5) |
| At 31 December 2010 | 234 | 177 | - | 5 | 416 |
| Depreciation: | | | | | |
| At 1 January 2009 | 112 | 162 | 1 | 5 | 280 |
| Depreciation charge for the year | 1 | 1 | - | - | 2 |
| Disposals | - | - | (1) | - | (1) |
| At 31 December 2009 | 113 | 163 | - | 5 | 281 |
| Depreciation charge for the year | - | 1 | - | - | 1 |
| Disposals | - | (5) | - | - | (5) |
| At 31 December 2010 | 113 | 159 | - | 5 | 277 |
| Net book value: | | | | | |
| At 1 January 2009 | 123 | 20 | 9 | - | 152 |
| At 31 December 2009 | 121 | 19 | - | - | 140 |
| At 31 December 2010 | 121 | 18 | - | - | 139 |

Included in land and buildings is land with carrying amount of EUR 121 thousand (2009: EUR 121 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.

8. Cash and short-term deposits

| | 2010 | 2009 |
|--------------|----------|----------|
| | €000 | €000 |
| Cash in hand | - | 1 |
| Cash at bank | 1 | 8 |
| | 1 | 9 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2010 the fair value of cash is EUR 1 thousand (2009: EUR 9 thousand).

GRANITOID AD
NOTES TO THE FINANCIAL STATEMENTS
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9. Issued capital and reserves

9.1 Issued capital

| | <u>2010</u> | <u>2009</u> |
|---|----------------------|----------------------|
| | <u>€000</u> | <u>€000</u> |
| Ordinary shares of EUR 0.51 each, as per court registration | 308 | 308 |
| Hyperinflation adjustment | 18,809 | 18,809 |
| | <u><u>19,117</u></u> | <u><u>19,117</u></u> |

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

| | <u>Number of ordinary shares (thousands)</u> | <u>Authorized capital (€000)</u> |
|----------------------------|--|--------------------------------------|
| At 1 January 2009 | 603 | 308 |
| At 1 January 2010 | <u>603</u> | <u>308</u> |
| At 31 December 2010 | 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. As of 31 December 2010 the legal reserves amount to EUR 62 thousand (2009: EUR 62 thousand).

10. Trade and other payables

| | <u>2010</u> | <u>2009</u> |
|-----------------------|-----------------|------------------|
| | <u>€000</u> | <u>€000</u> |
| Trade payables | 5 | 10 |
| Unused paid leave | - | 3 |
| Payables to personnel | - | 2 |
| Social security | - | 1 |
| VAT payable | - | 1 |
| | <u><u>5</u></u> | <u><u>17</u></u> |

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

- Trade payables are non-interest bearing and are normally settled on 30-day terms;
- Tax payables are non-interest bearing and are paid within the deadlines of the legislation;

GRANITOID AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2010

11. 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 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:

| | | Sales to related parties | Purchases from related parties | Amounts owed from related parties | Amounts owed to related parties |
|---|------|--------------------------------|--------------------------------------|--|--|
| | | €000 | €000 | €000 | €000 |
| In respect of sales/purchases from related party | | | | | |
| <i>Other related parties</i> | | | | | |
| Zlatna Panega Cement AD | 2010 | - | - | - | - |
| Zlatna Panega Cement AD | 2009 | 12 | - | - | - |
| | 2010 | | | - | - |
| | 2009 | | | - | - |
| In respect of loans from / to related party | | | | | |
| <i>Other related parties</i> | | | | | |
| Zlatna Panega Cement AD | 2010 | - | 2 | - | 42 |
| Zlatna Panega Cement AD | 2009 | - | - | - | - |
| | 2010 | | | - | 42 |
| | 2009 | | | - | - |

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.

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NOTES TO THE FINANCIAL STATEMENTS
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11. Related party disclosures (continued)

Loans received from related parties

Zlatna Panega Cement AD

During 2010, Granitoid AD borrowed from its related party Zlatna Panega Cement AD an amount of EUR 40 thousand (2009: nil). The intercompany loan is intended to finance the working capital needs of the Company. The loan is unsecured and is repayable in January 2011. Interest is charged at fixed rate of 9.11 %.

Compensation of key management personnel

| | <u>2010</u> | <u>2009</u> |
|------------------------------|-------------|-------------|
| | <u>€000</u> | <u>€000</u> |
| Short-term employee benefits | 22 | 26 |
| | <u>22</u> | <u>26</u> |

12. Commitments and contingencies

Capital commitments

As of 31 December 2010, the Company had no capital commitments. (2009: Nil)

Legal claims

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

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 2010, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

13. 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 financial assets such as other 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.

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NOTES TO THE FINANCIAL STATEMENTS
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13. Financial risk management objectives and policies (continued)

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 intercompany loan is with a fixed interest rate, the Company is not exposed to significant interest rate risk.

Liquidity risk

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

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2010 based on contractual undiscounted payments.

As of 31 December 2010

| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|-----------------------------|-----------|--------------------|----------------|--------------|-----------|-----------|
| | €000 | €000 | €000 | €000 | €000 | €000 |
| Payables to related parties | 2 | 40 | - | - | - | 42 |
| Trade and other payables | 5 | - | - | - | - | 5 |
| | 7 | 40 | - | - | - | 47 |

As of 31 December 2009

| | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | > 5 years | Total |
|--------------------------|-----------|--------------------|----------------|--------------|-----------|-----------|
| | €000 | €000 | €000 | €000 | €000 | €000 |
| Trade and other payables | 10 | 7 | - | - | - | 17 |
| | 10 | 7 | - | - | - | 17 |

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

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.

GRANITOID AD
NOTES TO THE FINANCIAL STATEMENTS

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13. 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 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 2010 and 31 December 2009.

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

| | <u>2010</u> | <u>2009</u> |
|---------------|-------------|-------------|
| | €000 | €000 |
| EBITDA | <u>(36)</u> | <u>(63)</u> |

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

14. 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, other receivables, trade and other payables, payables to related parties does not differ significantly from their current carrying amounts, especially when they are short-term in nature or their interest rates are changing in line with the change in the current market conditions.

15. Events after the reporting period

An annex to the intercompany loan agreement of EUR 40 thousand was signed on 5 January 2011 to extend the term with one more year – until 5 January 2012. All other terms of the contract remain unchanged.

Apart from that, no other significant events have been identified after the reporting date that may influence the annual financial statements.