



**GRANITOID AD**

**ANNUAL FINANCIAL STATEMENTS**

31 December 2012

# GRANITOID AD

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## **GRANITOID AD**

### **General Information**

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#### **Directors**

Alexander Nakov Chakmakov  
Mihailis Sigalas  
Konstantinos Derdemezis  
Fokion Tasulas  
Efstratratios Voulgaridis

#### **Registered office**

Batanovtsy, Pernik Region

#### **Solicitors**

Penkov, Markov and Partners OOD  
Alexander Sazdov

#### **Bankers**

Eurobank EFG Bulgaria AD

#### **Auditors**

Ernst & Young Audit OOD  
Polygraphia Office Center  
47A, Tsarigradsko Shose Blvd., fl.4  
1124 Sofia, Bulgaria

**GRANITOID AD**  
**DIRECTORS' REPORT**

For the year ended 31 December 2012

**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 2012, that have been prepared in accordance with the International Financial Reporting Standards, as adopted for use in 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 other assets.

**OPERATING REVIEW**

**Current year results**

The operating result for 2012 is negative. The loss amounts to EUR 12 thousand (2011: EUR 10 thousand loss).

**Dividends and profit distribution**

The Annual General Meeting of the shareholders was held in May 2012. 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 2012 will be performed, will be held in April 2013.

**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	-
Republic Holding AD	0.02%	130	-
Individuals	0.25%	1,516	1
	<b>100%</b>	<b>603,327</b>	<b>308</b>

**OBJECTIVES OF THE COMPANY FOR 2013**

The Directors have set the following objectives for the year 2013

- Continuing of 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 parent company. The parent company has provided the Company with a letter of support for the twelve-month period following the date of the letter.

**GRANITOID AD**  
**DIRECTORS' REPORT**

For the year ended 31 December 2012

**CORPORATE GOVERNANCE**

In accordance with the Commercial legislation in Bulgaria, as at 31 December 2012 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 2012 consists of:

1. Alexander Nakov Chakmakov
2. Mihailis Sigalas
3. Konstantinos Derdemezis
4. Fokion Tasulas
5. Efstratios Voulgaridis

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 2012.

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  
Batanovtsy  
4 March 2013



# 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 2012, 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 2012, 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 2012 the equity of Granitoid AD is less than its issued capital by EUR 19,045 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 Audit OOD

Sofia, Bulgaria

"Ernst & Young"

4 March 2013

**GRANITOID AD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2012

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		€000	€000
Other income	5.4	3	4
Administrative expenses	5.1	(8)	(10)
Other expenses	5.2	(3)	-
<b>Operating loss</b>		<b>(8)</b>	<b>(6)</b>
Finance cost	5.5	(4)	(4)
<b>Loss before tax</b>		<b>(12)</b>	<b>(10)</b>
Income tax	6	-	-
<b>Loss for the year</b>		<b>(12)</b>	<b>(10)</b>
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(12)</b>	<b>(10)</b>

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 2012

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		<u>€000</u>	<u>€000</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	137	138
		<u>137</u>	<u>138</u>
<b>Current assets</b>			
Trade and other receivables	8	2	2
Cash and short-term deposits	9	2	2
		<u>4</u>	<u>4</u>
<b>TOTAL ASSETS</b>		<b><u>141</u></b>	<b><u>142</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	10.1	19,117	19,117
Legal reserve	10.2	62	62
Accumulated losses		(19,107)	(19,095)
<b>Total equity</b>		<b><u>72</u></b>	<b><u>84</u></b>
<b>Current liabilities</b>			
Trade and other payables	11	7	5
Payables to related parties	12	62	53
		<u>69</u>	<u>58</u>
<b>Total liabilities</b>		<b><u>69</u></b>	<b><u>58</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>141</u></b>	<b><u>142</u></b>

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 2012

	Issued capital (note 10.1) €000	Legal reserve (note 10.2) €000	Accumulated losses €000	Total €000
At 1 January 2011	19,117	62	(19,085)	94
Loss for the year	-	-	(10)	(10)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(10)	(10)
At 31 December 2011	19,117	62	(19,095)	84
At 1 January 2012	19,117	62	(19,095)	84
Loss for the year	-	-	(12)	(12)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(12)	(12)
At 31 December 2012	19,117	62	(19,107)	72

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 CASH FLOWS**  
For the year ended 31 December 2012

	<u>Notes</u>	<u>2012</u> €000	<u>2011</u> €000
<b>OPERATING ACTIVITIES</b>			
<b>Loss before tax</b>		<b>(12)</b>	<b>(10)</b>
Adjustments to reconcile loss before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	1	1
Interest expenses	5.5	4	4
Working capital adjustments:			
Increase in other receivables		-	(1)
Increase in trade and other payables		2	-
<b>Net cash flows used in operating activities</b>		<b>(5)</b>	<b>(6)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans from related parties		5	7
<b>Net cash flows from financing activities</b>		<b>5</b>	<b>7</b>
<b>Net increase in cash and cash equivalents</b>		<b>-</b>	<b>1</b>
<b>Cash and cash equivalents at 1 January</b>		<b>2</b>	<b>1</b>
<b>Cash and cash equivalents at 31 December</b>	9	<b>2</b>	<b>2</b>

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**

For the year ended 31 December 2012

## **1. Corporate information**

The financial statements of Granitoid AD ("the Company") for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 4 March 2013.

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 property, plant and equipment and other assets.

As of 31 December 2012 the Company is owned as follows:

- REA Cement Limited, Cyprus	91.26 %
- Zlatna Panega Cement AD	3.41 %
- MRRB	0.06 %
- Republic Holding AD	0.02 %
- Individuals	0.25 %

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 for use in the European Union. The preparation of these annual financial statements of the Company is required by the ultimate parent company for its consolidation.

The Company has presented a separate set of statutory financial statements in Bulgarian, expressed in Bulgarian leva, in accordance with IFRS, as adopted for use in the EU. The statutory financial statements were authorized for issue by the Board of Directors on 4 March 2013.

### **Going concern**

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

For the year ended 31 December 2012 the Company realized negative cash flow from operating activities at the amount of EUR 5 thousand. Further the operations of the Company resulted in significant accumulated losses at the amount of EUR 19,107 thousand as of 31 December 2012. 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**  
For the year ended 31 December 2012

## **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 assets*

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

**GRANITOID AD**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2012

**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 trade and other receivables.

**Subsequent measurement**

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

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy/announce over-indebtedness or undertake other financial reorganisation or where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *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.

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

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

- **Financial assets (continued)**

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

##### *Financial assets carried at amortised cost*

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.

- **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:

##### *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.



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

### **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 15.

### **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 10.1. Any proceeds in excess of par value are recorded in share premium.

### **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:

Buildings	4 to 25 years
Plant and machinery	2 to 25 years
Vehicles	5 to 15 years
Furniture and fittings	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) 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.

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

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

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.

### **j) 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.

### **k) 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 statement of comprehensive income 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.

## **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 adopted as of 1 January 2012:

- IAS 12 *Income Taxes (Amendment) - Recovery of Underlying Assets*
- IFRS 7 *Financial Instruments: Disclosures (Amendment)*
- IFRS 1 *First-time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

When adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

#### **IAS 12 *Income Taxes (Amendment) - Recovery of Underlying Assets***

The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment has no effect on the financial position or performance of the Company.

## 2.3 Changes in accounting policy and disclosures (continued)

### New and amended standards and interpretations (continued)

#### **IFRS 7 *Financial Instruments: Disclosures (Amendment)***

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has only disclosure effects. The amendment has no impact on the Company's financial position or performance.

#### **IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendment)***

The amendment introduces a new deemed cost exemption for entities that have been subject to severe hyperinflation. When an entity's date of transition to IFRS is on, or after, the functional currency "normalisation" date, the entity may elect to measure all assets and liabilities, held before the functional currency "normalisation" date, at fair value on the date of transition to IFRS. Additionally, the IASB removed the legacy fixed dates included in IFRS 1 for derecognition and day one gain or loss transactions and replaced those dates with the date of transition to IFRS. As the Company is not a first time adopter, this amendment does not have an impact on its financial position or performance.

## 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).

## 4. Standards issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted 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 have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt those standards when they become effective.

#### **IAS 1 *Presentation of Financial Statements (Amendment)* - Presentation of Items of Other Comprehensive Income**

The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance.

#### **IAS 19 *Employee Benefits (Revised)***

The revised standard is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company is in the process of assessing the impact of these amendments on its financial position or performance.

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**4. Standards issued but not yet effective and not early adopted (continued)**

**IAS 27 *Separate Financial Statements (Revised)***

The revised standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Company is in the process of assessing the impact of this Standard on its financial position or performance.

**IAS 28 *Investments in Associates and Joint Ventures (Revised)***

The revised standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Company is in the process of assessing the impact of this Standard on its financial position or performance.

**IAS 32 *Financial Instruments (Amendment): Presentation - Offsetting Financial assets and Financial Liabilities***

The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems. The Company is in the process of assessing the impact of the amendment on its financial position or performance.

**IFRS 1 *Government Loans - Amendments to IFRS 1***

The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has added an exception to the retrospective application of IFRS 9 Financial Instruments (or IAS 39 Financial Instruments: Recognition and Measurement, as applicable) and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance as regards measurement of government loans with a below market rate of interest. As the Company is not a first time adopter the amendment will not have an impact on its financial position or performance. This amendment has not yet been endorsed by the EU.

**IFRS 7 *Financial Instruments: Disclosures (Amendment) - Offsetting Financial Assets and Financial Liabilities***

The amendment is effective for annual periods beginning on or after 1 January 2013. It requires an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in valuating the effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. The Company is in the process of assessing the impact of the amendment on its financial position or performance.

**IFRS 9 *Financial Instruments: Classification and Measurement***

The new standard is effective for annual periods beginning on or after 1 January 2015. 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. Phase I of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities using the FV option. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Company is in the process of assessing the impact of the new standard on its financial position or performance. The Standard has not yet been endorsed by EU.

**IFRS 10 *Consolidated Financial Statements***

The new standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation - Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Company is in the process of assessing the impact of the new standard on its financial position or performance.

#### **4. Standards issued but not yet effective and not early adopted (continued)**

##### **IFRS 11 Joint Arrangements**

The new standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories – joint operation and joint venture. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed. The Company is in the process of assessing the impact of the new standard on its financial position or performance.

##### **IFRS 12 Disclosure of Interests in Other Entities**

The new standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. IFRS 12 includes all the disclosure requirements that were previously in IAS 27 related to consolidated financial statements, as well as all the disclosures that were previously included in IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates, and structured entities. A number of new and more extensive qualitative and quantitative disclosures are also required. The Company is in the process of assessing the impact of the new standard on its financial position or performance.

##### **IFRS 13 Fair Value Measurement**

The new standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is in the process of assessing the impact of the new standard on its financial position or performance.

##### **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (stripping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. The Company is in the process of assessing the impact of the new interpretation on its financial position or performance.

##### **Improvements to IFRS – 2009 – 2011 Cycle**

In the 2009-2011 annual improvements cycle, the IASB issued six amendments to five standards which are applicable to annual periods beginning on or after 1 January 2013. Summary of amendments and related standards are provided below:

- IFRS 1 First-time adoption of IFRS – repeated application of IFRS and borrowing cost exemption
- IAS 1 Presentation of Financial Statements – clarification on the requirements for comparative information
- IAS 16 Property, Plant and Equipment – classification of servicing equipment
- IAS 32 Financial Instruments: Presentation – Tax effects of distributions to holders of equity instruments
- IAS 34 Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities

The Company is in the process of assessing the impact of the amendments on its financial statements. The Improvements to IFRS – 2009 – 2011 Cycle have not yet been endorsed by EU yet.

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**5. Revenues and expenses**

**5.1 Administrative expenses**

	<u>2012</u>	<u>2011</u>
	€000	€000
VAT, local and alternative taxes	(4)	(4)
Depreciation (note 7)	(1)	(1)
Audit fees	(1)	(1)
Electricity	-	(1)
Telephone and courier	(1)	(1)
Other expenses	(1)	(2)
	<u>(8)</u>	<u>(10)</u>

**5.2 Other expenses**

	<u>2012</u>	<u>2011</u>
	€000	€000
Legal claims expenses	(3)	-
	<u>(3)</u>	<u>-</u>

**5.3 Expenses by nature**

	<u>2012</u>	<u>2011</u>
	€000	€000
VAT, local and alternative taxes	(4)	(4)
Hired services	(2)	(2)
Depreciation (Note 7)	(1)	(1)
Materials	(1)	(1)
Other	(3)	(2)
<b>Total administrative and other expenses</b>	<u>(11)</u>	<u>(10)</u>

**5.4 Other income**

	<u>2012</u>	<u>2011</u>
	€000	€000
Sale of scrap and other assets	1	3
Other	2	1
	<u>3</u>	<u>4</u>

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**5. Revenues and expenses (continued)**

**5.5. Finance cost**

	<u>2012</u>	<u>2011</u>
	€000	€000
Interest expenses to related parties (note 12)	(4)	(4)
	<u>(4)</u>	<u>(4)</u>

**6. Income tax**

The Company did not report any current or deferred taxes for the year ended 31 December 2012 (2011: nil).

In 2012 the nominal statutory tax rate is 10% (2011: 10%). In 2013 the nominal statutory tax rate is 10%.

Reconciliation between income tax expense and the result of accounting loss multiplied by the statutory tax rate for the years ended 31 December 2012 and 31 December 2011 is as follows:

	<u>2012</u>	<u>2011</u>
	€000	€000
Accounting loss before income tax	(12)	(10)
Income tax benefit at statutory tax rate of 10% for 2012 (2011: 10%)	1	1
Tax losses on which no deferred tax asset is recognized	(1)	(1)
<b>Income tax</b>	<u>-</u>	<u>-</u>

The Company has incurred tax losses as follows:

Tax period	Period of availability for tax relief	<u>2012</u>	<u>2011</u>
		€000	€000
2012	2013 through 2017	9	-
2011	2012 through 2016	10	10
2010	2011 through 2015	39	39
2009	2010 through 2014	67	67
2007	2008 through 2012	-	5
		<u>125</u>	<u>121</u>
Total tax loss carried forward		125	121
Effective income tax rate		10%	10%
<b>Deferred income tax asset not recognized</b>		<u>13</u>	<u>12</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 2012 (2011: Nil).

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**7. Property, plant and equipment**

	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Furniture and fittings</b>	<b>Total</b>
	€000	€000	€000	€000
<b>Cost:</b>				
At 1 January 2011	234	177	5	416
At 31 December 2011	<u>234</u>	<u>177</u>	<u>5</u>	<u>416</u>
At 31 December 2012	<u>234</u>	<u>177</u>	<u>5</u>	<u>416</u>
<b>Depreciation:</b>				
At 1 January 2011	113	159	5	277
Depreciation charge for the year	-	1	-	1
At 31 December 2011	<u>113</u>	<u>160</u>	<u>5</u>	<u>278</u>
Depreciation charge for the year	-	1	-	1
At 31 December 2012	<u>113</u>	<u>161</u>	<u>5</u>	<u>279</u>
<b>Net book value:</b>				
At 1 January 2011	121	18	-	139
At 31 December 2011	<u>121</u>	<u>17</u>	<u>-</u>	<u>138</u>
At 31 December 2012	<u>121</u>	<u>16</u>	<u>-</u>	<u>137</u>

Included in land and buildings is land with carrying amount of EUR 121 thousand (2011: EUR 121 thousand).

*Impairment of property, plant and equipment*

Based on the review for impairment indicators of the Property, plant and equipment, the Company's management has not found indicators that the book value of the assets exceeds their recoverable amount. Therefore, no impairment of property, plant and equipment has been recognised at 31 December 2012 (2011: Nil).

**8. Trade and other receivables**

	<b>2012</b>	<b>2011</b>
	€000	€000
Trade receivables	1	1
Other receivables	1	1
	<u>2</u>	<u>2</u>

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

- Trade and other receivables are non-interest bearing and are normally settled on 30-day terms;



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**9. Cash and short-term deposits**

	<u>2012</u>	<u>2011</u>
	€000	€000
Cash at bank	2	2
	<u>2</u>	<u>2</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2012 the fair value of cash is EUR 2 thousand (2011: EUR 2 thousand).

**10. Issued capital and reserves**

**10.1 Issued capital**

	<u>2012</u>	<u>2011</u>
	€000	€000
Ordinary shares of EUR 0.51 each, as per court registration	308	308
Hyperinflation adjustment	18,809	18,809
	<u>19,117</u>	<u>19,117</u>

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

	<u>Number of ordinary shares (thousands)</u>	<u>Authorized capital (€000)</u>
At 1 January 2011	603	308
At 1 January 2012	<u>603</u>	<u>308</u>
<b>At 31 December 2012</b>	<u>603</u>	<u>308</u>

All ordinary shares issued were fully paid.

**10.2 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 2012 the legal reserves amount to EUR 62 thousand (2011: EUR 62 thousand).

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**11. Trade and other payables**

	<u>2012</u>	<u>2011</u>
	€000	€000
Trade payables	4	4
Other payables	3	1
	<u>7</u>	<u>5</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;  
- Other payables are non-interest bearing and are normally settled on 30-day terms.

**12. Related party disclosures**

*The ultimate parent*

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

*Entity with controlling interest in the Company*

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

*Other related parties*

Zlatna Panega Cement AD 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:

<b>Loans due to related parties</b>		<b>Interest expense</b>	<b>Amounts owed to related parties</b>
		€000	€000
<i>Other related parties</i>			
Zlatna Panega Cement AD	2012	4	62
Zlatna Panega Cement AD	2011	4	53
	2012	<u>4</u>	<u>62</u>
	2011	<u>4</u>	<u>53</u>

*Zlatna Panega Cement AD*

As of 31 December 2012, Granitoid AD has borrowed from its related party Zlatna Panega Cement AD an amount of EUR 52 thousand (2011: EUR 47 thousand). The intercompany loan is intended to finance the working capital needs of the Company. The loan is unsecured and is repayable in January 2013. Interest is charged at a fixed rate of 9.11 %.

As at 31 December 2012 included in the amount owed to Zlatna Panega Cement AD in respect of the loan is interest payable at the amount of EUR 10 thousand (2011: EUR 6 thousand).

### **13. Commitments and contingencies**

#### **Capital commitments**

As of 31 December 2012, the Company had no capital commitments. (2011: Nil)

#### **Legal claims**

As of 31 December 2012 Granitoid AD is involved in one dispute initiated by a former employee against the Company for the total amount of EUR 10 thousand. As of 31 December 2012 the Company raised a provision of EUR 3 thousand for liabilities related to the legal case (2011: nil).

#### **Other**

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

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

The directors do not believe that, as of 31 December 2012, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

### **14. Financial risk management objectives and policies**

The Company's principal financial liabilities comprise loans from related parties 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.

#### *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.

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**14. Financial risk management objectives and policies (continued)**

*Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through short-term loans from related parties. 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 2012 and 31 December 2011 based on contractual undiscounted payments.

**As of 31 December 2012**

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Payables to related parties	10	52	-	-	-	62
Trade and other payables	7	-	-	-	-	7
	<b>17</b>	<b>52</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>69</b>

**As of 31 December 2011**

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Payables to related parties	6	47	-	-	-	53
Trade and other payables	5	-	-	-	-	5
	<b>11</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>58</b>

*Foreign exchange risk*

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

*Credit risk*

Receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount. There are no significant concentrations of credit risk within the Company.

*Capital management*

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to the shareholders or issue new shares, following the shareholders' approval. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

#### **14. Financial risk management objectives and policies (continued)**

*Capital management (continued)*

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

	<u>2012</u>	<u>2011</u>
	€000	€000
<b>EBITDA</b>	<u>(7)</u>	<u>(5)</u>

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

#### **15. Financial instruments**

**Fair values**

Fair value is the amount at which a financial instrument may be exchanged or settled in an arm's length transaction as best proof of its market value in an active market.

The estimated fair value of the financial instruments is determined by the Company on the basis of available market information, if any, or proper valuation models. When the management uses available market information to determine the financial instruments' fair value, the market information might not completely reflect the value at which these instruments may be actually realized.

The management of Granitoid AD believes that the fair value of financial instruments comprising cash items, trade and other receivables, trade and other payables, payables to related parties does not differ significantly from their current carrying amounts, especially when they are short-term in nature or their interest rates are changing in line with the change in the current market conditions.

#### **16. Events after the reporting period**

An annex to the intercompany loan agreement of EUR 62 thousand was signed on 5 January 2013 to extend the term with one more year – until 5 January 2014. 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.