Titan Global Finance plc

Annual report and financial statements

for the year ended 31 December 2012

Registered number: 06199510

Titan Global Finance plc

Annual report and financial statements for the year ended 31 December 2012

Titan Global Finance plc

Company information

Directors:	G Kyrtatos LH Wilt Jr CR Field KV Fittler
Secretary:	Rollits Company Secretaries Limited
Registered Auditors:	Ernst & Young LLP 24 Marina Court Castle street Hull HU1 1TJ
Registered office:	No. 12 Shed King George Dock Hull HU9 5PR
Registered number:	06199510

Titan Global Finance plc

Directors' report

for the year ended 31 December 2012

The directors present their annual report and audited financial statements for the year ended 31 December 2012.

Principal activity

The principal activity of Titan Global Finance plc (the "company") continues to be acting as an intermediate finance company for the Titan Group's (the "Group") operations by raising and providing funding to other Group companies.

Titan Group includes Titan Cement Company S.A. and its subsidiaries.

The company is a public limited company, domiciled and incorporated in the United Kingdom. The registered office and principal place of business is No. 12 Shed, King George Dock, Hull, HU9 5PR, United Kingdom.

Business review

During the course of 2012, the company continued to carry out its operations as the Group's funding vehicle, drawing on bank facilities and extending finance to Group companies, i.e. Titan Cement Company S.A. and its subsidiaries. At the same time, the company has been extending finance to Group companies from funds sourced from the company's own cash reserves or from funds sourced from Group subsidiaries with excess cash balances.

The company borrows and extends finance at arm's length, charging an additional five basis points margin on bank credit facilities, fixed interest rate loans and bonds (and a five percent mark up on other costs) so as to cover overhead costs and maintain the profitability commitment the company has with Her Majesty's Revenue and Customs (HMRC) through the Advance Thin Capitalisation Agreement (ATCA).

On 19 December 2012, the company offered to renew the €200,000,000 6.9% guaranteed notes in advance of their maturity on 30 July 2013. Under the terms of the renewal offer, the new guaranteed notes would bear interest at 8.75% and expire on 19 January 2017.

Holders of 6.9% guaranteed notes amounting to €102,346,000 accepted the renewal.

Holders of 6.9% guaranteed notes amounting to €97,654,000 did not accept the renewal, and as a consequence the company continues to hold these 6.9% guaranteed notes, expiring on 30 July 2013.

On 19 December 2012 the company issued a further €97,654,000 8.75% guaranteed notes, expiring on 19 January 2017. Consequently, the company holds in total €200,000,000 8.75% guaranteed notes, expiring on 19 January 2017. All notes are guaranteed by Titan Cement Company S.A., the company's immediate parent undertaking. As a result of the renewal of the guaranteed notes, the company has improved its liquidity profile by effectively extending the July 2013 €200,000,000 6.9% guaranteed notes up to January 2017.

As at 31 December 2012, the company had committed undrawn bank facilities of approximately €364,635,000 (2011: €111,074,000).

Titan Global Finance plc

Directors' report

for the year ended 31 December 2012

Business review (continued)

The company's key performance indicator is to ensure that short-term third-party debt can always be met with available cash or unutilised bank facilities. The directors consider that this was achieved in both the current and prior years.

Therefore, the board monitors liquidity ratio, which is defined as the ratio of unutilised long-term committed third-party facilities (excluding facilities granted by members of Titan Group) and cash over short-term third-party debt (excluding facilities granted by members of Titan Group) plus accrued interest.

For the purpose of this ratio, short-term third-party debt and unutilised long-term committed third-party facilities are calculated as follows:

	2012	2011
	€'000	€'000
Listed guaranteed notes (note 10)	**97,070**	-
Accrued interest and other finance costs	**3,392**	-
Short-term third-party debt	**100,462**	-
Long-term committed third-party facilities (note 10)	**585,000**	585,000
Utilised facilities	**(220,365)**	(473,926)
Unutilised long-term committed third-party facilities (note 10)	**364,635**	111,074

The company's liquidity ratio as of 31 December was:

	2012	2011
Liquidity ratio	**3.76**	-

At 31 December 2012 short-term third-party debt is covered more than 3.7 times by available cash and un-utilised long-term bank facilities. The directors have determined that the ratio adequately covers liquidity risks.

The nature of the company's business means that it is essential to have available external funds to be able to provide funding to relevant subsidiaries as required. External funding is guaranteed by Titan Cement Company S.A., the company's immediate and ultimate parent company.

Principal risks and uncertainties and financial risk management

The principal risks of the company are those relating to financial instruments including credit risk, liquidity risk, foreign exchange risk and interest rate risk. Please see note 2 to the financial statements for further information.

Titan Global Finance plc

Directors' report

for the year ended 31 December 2012

Future developments

The directors aim to maintain the management policies which have resulted in this year's stability and profits.

The company's operations are aligned with the Group's strategic priorities with respect to optimisation of funding and cash management needs. As the Group's funding vehicle, the company is reliant on its parent for support through the guarantees the latter provides to secure the company's external financing. The Group will continue to focus on producing positive free cash flow and cost reduction so as to reduce net debt.

Going concern

On 19 December 2012, the company offered to renew the €200,000,000 6.9% guaranteed notes in advance of their maturity on 30 July 2013. Under the terms of the renewal offer, the new guaranteed notes would bear interest at 8.75% and expire on 19 January 2017.

Holders of 6.9% guaranteed notes amounting to €102,346,000 accepted the renewal.

Holders of 6.9% guaranteed notes amounting to €97,654,000 did not accept the renewal, and as a consequence the company continues to hold these 6.9% guaranteed notes, expiring on 30 July 2013.

On the same day, the company issued €97,654,000 8.75% guaranteed notes, expiring on 19 January 2017 and as a consequence extended the maturity of €200,000,000 6.9% guaranteed notes original maturing in July 2013 up to January 2017 by offering noteholders an increased coupon rate. As a result, the continued instability of the financial markets is not expected to significantly impact the company during the next 12 months. Borrowings are guaranteed by Titan Cement Company S.A., the company's immediate parent undertaking.

The Board of Directors are confident that Titan Cement Company S.A. and Group have adequate resources to ensure continued operations as a going concern for the foreseeable future. Titan Cement Company S.A. has made an undertaking to support the company, helping it meet its liabilities as they fall due, for at least 12 months from the date of approval of these financial statements.

The directors have a reasonable expectation that the company has and shall continue to have adequate resources to continue being in an operational state for the foreseeable future of at least 12 months from the date of this report. Therefore the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In further support of the directors going concern assumption, in February 2013 intra-Group facilities of approximately €375,900,000 maturing in December 2013 were extended to December 2014, thus decreasing current liabilities.

Results and dividends

Total comprehensive income for the year amounted to €1,060,000 (2011: €1,519,000). The directors do not recommend the payment of a dividend for the year (2011: £Nil). The decline in profitability is largely due to foreign exchange gains and losses.

Directors

The directors who served during the year and up to the date of signing this report were:

G Kyrtatos
LH Wilt Jr
CR Field
KV Fittler

Titan Global Finance plc

Directors' report

for the year ended 31 December 2012

Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in Section 232(2) of the Companies Act 2006 is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law.

Policy and practice on payment of creditors

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, providing that all terms and conditions have been complied with.

At 31 December 2012, the company had an average of 54 days of purchases outstanding in trade creditors (2011: zero days).

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In the absence of any notice proposing to terminate their appointment, Ernst & Young LLP will be deemed to be reappointed for the next financial year. Ernst & Young LLP, have indicated their willingness to continue in office.

Corporate governance

The directors are responsible for internal control in the company and for reviewing the effectiveness thereof. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure, to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud.

This report was approved by the board on 22 April 2013 and signed on its behalf by:

LH Wilt Jr
Director

Karen V. Fittler

KV Fittler
Director

Titan Global Finance plc

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the company;
- select suitable accounting policies in accordance with IAS8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgements that are reasonable;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state whether the company's financial statements have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Titan Global Finance plc

Independent auditor's report to the members of Titan Global Finance Plc

We have audited the financial statements of Titan Global Finance Plc for the year ended 31 December 2012 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Titan Global Finance plc

Independent auditor's report to the members of Titan Global Finance Plc

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Alistair Denton (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Hull
Date: 29/4/13

Titan Global Finance plc

Registered no: 06199510

Statement of financial position

as at 31 December 2012

	Note	2012 €'000	2011 €'000
Assets			
Non-current assets			
Loans and other receivables	6	**880,039**	923,075
Current assets			
Loans and other receivables	6	**110,184**	167,590
Cash and cash equivalents		**13,524**	18,880
Current tax receivable		**17**	-
		123,725	186,470
Total assets		**1,003,764**	1,109,545
Equity and liabilities			
Equity attributable to owners of the parent			
Ordinary shares	7	**3,287**	3,287
Retained earnings	8	**5,623**	4,563
Total equity		**8,910**	7,850
Liabilities			
Non-current liabilities			
Loans and other payables	9	**74,813**	397,090
Borrowings	10	**412,109**	668,764
		486,922	1,065,854
Current liabilities			
Loans and other payables	9	**410,862**	35,416
Current tax liabilities		**-**	425
Borrowings	10	**97,070**	-
		507,932	35,841
Total liabilities		**994,854**	1,101,695
Total equity and liabilities		**1,003,764**	1,109,545

The notes on pages 13 to 29 are an integral part of these financial statements.

The financial statements on pages 9 to 29 were authorised for issue by the Board of Directors on 22 April 2013 and were signed on its behalf by:

LH Wilt Jr
Director

KV Fittler
Director

Titan Global Finance plc

Statement of comprehensive income

for the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Administrative expenses	12	**(597)**	(106)
Finance income	15	**49,981**	49,759
Finance costs	15	**(47,917)**	(47,599)
Finance income - net	15	**2,064**	2,160
Profit before income tax		**1,467**	2,054
Income tax expense	16	**(407)**	(535)
Total comprehensive income		**1,060**	1,519

All of the activities of the company in 2012 and 2011 relate to continuing operations.

There are no items of other comprehensive income recorded directly in equity.

The notes on pages 13 to 29 are an integral part of these financial statements.

Titan Global Finance plc

Statement of changes in equity

for the year ended 31 December 2012

	Attributable to owners of the parent		
	Share capital	Retained earnings	Total equity
	€'000	€'000	€'000
Balance at 1 January 2011	3,287	3,044	**6,331**
Changes in equity 2011			
Total comprehensive income for the year	-	1,519	**1,519**
Balance at 31 December 2011	3,287	4,563	**7,850**
Changes in equity 2012			
Total comprehensive income for the year	-	1,060	**1,060**
Balance at 31 December 2012	3,287	5,623	**8,910**

The notes on pages 13 to 29 are an integral part of these financial statements.

Titan Global Finance plc

Statement of cash flows

for the year ended 31 December 2012

	Note	2012 €'000	2011 €'000
Cash flows from operating activities			
Cash (used in)/generated from operations	17	**(498)**	447
Income tax paid		**(849)**	(92)
Net cash (used in)/generated from operating activities		**(1,347)**	355
Cash flows from investing activities			
Loans granted to related parties		**-**	(213,188)
Loans repaid by related parties		**98,127**	-
Interest received		**51,997**	47,294
Net cash generated from/(used in) investing activities		**150,124**	(165,894)
Cash flows from financing activities			
Proceeds from loans from related parties		**57,086**	82,913
Interest paid		**(52,218)**	(44,374)
Proceeds from borrowings		**-**	145,238
Repayment of borrowings		**(256,655)**	-
Proceeds from forward-start Revolving Credit Facility		**-**	438,084
Extinguishment of Revolving Credit Facility		**-**	(438,084)
Proceeds from issue of guaranteed notes		**97,654**	-
Net cash (used in)/generated from financing activities		**(154,133)**	183,777
(Decrease)/increase in cash and cash equivalents		**(5,356)**	18,238
Cash and cash equivalents at 1 January		**18,880**	642
Cash and cash equivalents at 31 December		**13,524**	18,880

The notes on pages 13 to 29 are an integral part of these financial statements.

Titan Global Finance plc

Notes to the financial statements

for the year ended 31 December 2012

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and the Companies Act 2006.

The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations on future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

When preparing the analysis of financial liabilities by relevant maturity groupings in the liquidity risk table on page 18, the directors have restated the comparative accrued interest payable, loans and other payables, and borrowings. Previously, interest was shown to be due at the maturity of the instrument to which it relates, and has been restated to show the anticipated cash flows of the interest payments, over the life of the instrument in accordance with IFRS 7. This has resulted in €46,701,000 of accrued interest being reclassified from due after more than one year to due within less than one year, a decrease in total accrued interest payable of €9,992,000 over the remaining term of outstanding loans and other payables and borrowings and a decrease in short term loans and other payables of €770,000. Borrowings were previously stated net of unamortised transaction costs of €5,162,000, and have been restated to show gross cash flows associated with the borrowings.

Going concern

On 19 December 2012, the company offered to renew the €200,000,000 6.9% guaranteed notes in advance of their maturity on 30 July 2013. Under the terms of the renewal offer, the new guaranteed notes would bear interest at 8.75% and expire on 19 January 2017.

Holders of 6.9% guaranteed notes amounting to €102,346,000 accepted the renewal.

Holders of 6.9% guaranteed notes amounting to €97,654,000 did not accept the renewal, and as a consequence the company continues to hold these 6.9% guaranteed notes, expiring on 30 July 2013.

On the same day, the company issued €97,654,000 8.75% guaranteed notes, expiring on 19 January 2017 and as a consequence extended the maturity of the July 2013 €200,000,000 6.9% guaranteed notes up to January 2017 by offering noteholders an increased coupon rate. As a result, the continued instability of the financial markets is not expected to significantly impact the company in the next 12 months. Borrowings are guaranteed by Titan Cement Company S.A., the company's immediate parent undertaking.

The Board of Directors declare that the Titan Cement Company S.A. and Group have adequate resources to ensure continued operations as a going concern for the foreseeable future. Titan Cement Company S.A. has made an undertaking to support the company, helping it meet its liabilities as they fall due, for 12 months from the date of approval of the financial statements.

1 Summary of significant accounting policies (continued)

Going concern continued

The directors have a reasonable expectation that the company has and shall continue to have adequate resources to continue being in an operational state for the foreseeable future of at least 12 months from the date of this report. Therefore the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

In further support of the directors going concern assumption, in February 2013 intra-Group facilities of approximately €375,900,000 maturing in December 2013 were extended to December 2014, thus decreasing current liabilities.

Changes in accounting policy and disclosures

a. New and amended standards adopted by the company

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that have been adopted or have an impact on the financial statements of the company.

b. New standards, amendments and interpretations not yet effective or adopted

There are a number of new standards and amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2013, that have not been early adopted when preparing these financial statements. None of these will have an impact on the financial statements of the company, except the following set out below:

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The directors do not consider that this will have a significant impact on the financial statements as loans and receivables, loans and payables and borrowings are stated at amortised cost which is approximate to fair value.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

Segment reporting

The operating segment is reported in a manner consistent with the internal reporting provided to the Titan Group. The Group is responsible for allocating resources and assessing the performance of the operating segment.

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The company's functional and presentational currency is the Euro. All financial information presented in Euros has been rounded to the nearest thousand.

Titan Global Finance plc

Notes to the financial statements

for the year ended 31 December 2012

1 Summary of significant accounting policies (continued)

Foreign currency translation

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the year end date. All differences are taken to the statement of comprehensive income.

Financial assets

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets (intra-Group facilities and loans) with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise 'loans and other receivables' and 'cash and cash equivalents' in the statement of financial position.

a. Loans and other receivables

Loan and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loan receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the original 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 statement of comprehensive income within administrative expenses. When a trade receivable is un-collectable it is written off against the allowance account for loan receivables.

Subsequent recoveries of amounts previously written off are credited against administrative expenses in the statement of comprehensive income.

b. Cash and cash equivalents

Cash and cash equivalents comprise deposits (including time deposits) with banks and bank and cash balances.

Notes to the financial statements

for the year ended 31 December 2012

1 Summary of significant accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less, if not they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Current and deferred income taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the United Kingdom. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period in the United Kingdom and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the financial statements
for the year ended 31 December 2012

1 Summary of significant accounting policies (continued)

Financial guarantee contracts

Financial guarantee contracts are initially recognised at fair value, under IAS 39, 'Financial Instruments: Recognition and measurement'. Subsequently the contract is valued at the higher of the amount determined in accordance with IAS 37, and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

Financial guarantee contracts are recognised in accordance with IAS 37 when the company has a present obligation as a result of a past event, it is probable that an out flow 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. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of time value of money is material, provisions are discounted using a 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.

Interest recognition

Interest income and costs are recognised using the effective interest method. When loans or borrowings are impaired, the company reduces the carrying amount to its recoverable amount, being the estimate future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income or costs. Interest income and costs on impaired loans or borrowings are recognised using the original effective interest rate.

2 Financial risk management

The company's operations expose it to a variety of financial risks. The company has in place a risk management programme that seeks to limit adverse effects on the financial performance of the company. The policies set by the board are implemented by the company's management.

The principal activity of the company is to act as an intermediate finance company for the Group's operations by raising and providing funding to other Titan Group companies. Therefore credit risk, liquidity risk, interest rate risk and foreign exchange risk are inherent risks.

a. *Credit risk*

Given that the company is the Group's funding vehicle and its purpose is to raise external bank and non-bank financing and lend to Group companies to cover their borrowing needs, it is not exposed to major credit risk other than the potential inability of its intra-Group counterparties to meet their obligations. All third party obligations are guaranteed by Titan Cement Company S.A., the immediate and ultimate parent undertaking. The cash balances are deposited with highly rated financial institutions in line with Group Treasury policies, as approved by the Board of Directors.

Notes to the financial statements

for the year ended 31 December 2012

2 Financial risk management (continued)

b. *Liquidity risk*

The company retains sufficient cash and committed loans and facilities to ensure it has sufficient available funds to cover its operating needs.

Further to the exchange offer in December 2012, the company holds in total €200,000,000 8.75% guaranteed notes, expiring on 19 January 2017 and a further €97,654,000 6.9% guaranteed notes, expiring on 30 July 2013.

Further to the February 2013 intra-Group amendments of existing facility agreements between the Company and Aemos Cement Limited, Iapetos Limited and Salentijn Properties 1 B.V whereby the maturity of the agreements have been extended up to December 2014. The effect on these revisions is that an amount of approximately €375,900,000, classified as at 31 December 2012 as 'Current Liabilities - Payables to related parties', would have been classified as 'Non-current' if above amendments were executed within December 2012.

The next maturity is the €585,000,000 Syndicated Revolving Credit Facility due January 2015, out of which €220,365,000 was utilised as of 31 December 2012.

The company has entered into an indemnity deed alongside its parent company in support of a credit agreement held by another Group entity. This instrument is considered a financial guarantee contract as defined by IAS39. The maximum potential out flow the directors feel the company is exposed to is €6,604,000 (2011: €9,984,000). The directors consider it improbable that the company will suffer any cash out flow as a result of this instrument because the entity concerned is in compliance with its obligation and there are no indications that it will not remain in compliance for the foreseeable future. The instrument has been recognised at fair value of £Nil.

The table below analyses the company's non-derivative financial liabilities (including financial guarantee contracts) into relevant maturity groupings based on the remaining period at the year end date to the contractual maturity date:

	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 year	Between 2 and 5 years	Over 5 years	Total
As at 31 December 2012	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Borrowings	**-**	**97,654**	**-**	**420,365**	**-**	**518,019**
Loans and other payables	**-**	**403,863**	**27,840**	**46,973**	**-**	**478,676**
Accrued interest payable	**11,438**	**30,071**	**26,355**	**36,627**	**-**	**104,491**
Financial guarantee contracts	**6,604**	**-**	**-**	**-**	**-**	**6,604**
As at 31 December 2011 (restated)						
Borrowings	-	-	200,000	473,926	-	673,926
Loans and other payables	-	1,500	400,597	19,493	-	421,590
Accrued interest payable	11,691	35,049	39,526	15,099	-	101,365
Financial guarantee contracts	9,984	-	-	-	-	9,984

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2 Financial risk management (continued)

c. *Interest rate risk*

The company has floating rate assets and liabilities, in the form of bank borrowings and corresponding intercompany debtors (representing the bank borrowings on lent at floating rate plus a margin), and fixed rate assets and liabilities, being listed guarantee notes and corresponding intercompany debtors (representing those amounts on lent at fixed rates plus a margin). As the fixed and floating rate assets and liabilities are essentially matched, the related interest rate risk is naturally mitigated.

The company has cash balances earning interest at a floating rate, and as such is exposed to interest rate risk on those amounts. The company does not currently use derivative financial instruments to hedge its interest rate risk.

At 31 December 2012, if interest rates on loan receivables, payables and bank borrowings had been 1% higher or lower with all other variables held constant, pre-tax profit for the year would have been €151,000 (2011: €477,000) higher or lower, mainly as a result of higher or lower net interest income on floating rate instruments.

d. *Foreign exchange risk*

Funding is denominated in the same currency as the currency of funding provided to Titan Group's subsidiaries. As a consequence the exposure to exchange rate risk is significantly offset.

In the normal course of business, the company uses swaps to reduce its exposure to exchange rate risk. Swaps are included on the balance sheet at market value or fair value. Swaps are either liquidated with the same counterparty or held to the settlement date.

At 31 December 2012, the company had no open derivative financial instruments and consequently, the fair values of derivative financial instruments were €Nil (2011: €Nil).

At 31 December 2012, if the Euro had strengthened/weakened by 1% against the US Dollar with all other variables held constant, pre-tax profit for the year would have been €64,000 (2011: €45,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated loan receivables, payables, bank borrowings and operating expenses.

At 31 December 2012, if the Euro had strengthened/weakened by 1% against the Pound Sterling with all other variables held constant, pre-tax profit for the year would have been €30,000 (2011: €11,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Pounds Sterling denominated loan receivables, payables and operating expenses.

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns to the immediate parent undertaking, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, capital returned to the immediate parent undertaking or issue new shares.

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3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Critical judgements in applying the entity's accounting policies are set out below:

a. Modification or extinguishment of financial instruments

The company follows the guidance of IAS 39 when determining if adjustments to financial instruments should be accounted for as modifications or extinguishments. Adjustments of less than 10% discounted future cash flows with an existing borrower and lender are accounted for as modifications. Adjustments of more than 10% are accounted for as extinguishments, with unamortised costs being charged to the statement of comprehensive income. Following this guidance, management made the judgement that the renewal of the guaranteed notes was a modification, rather than an extinguishment of the existing instrument, and therefore unamortised debt issuance costs remain in the statement of financial position.

4 Segment information

The company has only one operating segment.

5 Financial instruments by category

Assets as per statement of financial position	**2012** **€'000**	2011 €'000
Loans and receivables		
Loans and other receivables excluding accrued income	**979,672**	1,078,795
Cash and cash equivalents	**13,524**	18,880
Total	**993,196**	1,097,675

Liabilities as per statement of financial position		
Other financial liabilities at amortised cost		
Borrowings	**509,179**	668,764
Loans and other payables excluding accrued interest	**478,724**	421,590
Total	**987,903**	1,090,354

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6 Loans and other receivables

	Note	2012 €'000	2011 €'000
Amounts falling due after more than one year			
Receivables from related parties	18	**880,039**	923,075

	Note	2012 €'000	2011 €'000
Amounts falling due within one year			
Receivables from related parties	18	**99,633**	155,720
Accrued income		**10,551**	11,870
		110,184	167,590

Receivables from related parties represent intra-Group facilities and loans.

Amounts are drawn down from each facility for periods between 30 and 180 days, however each tranche is considered as part of one of the long-term revolving credit facilities which are repayable either partially or in full at the option of the company or it may be renewed for another period. Accordingly, the amounts drawn down have been classified as payable between one and two years in accordance with the term of the facilities. Amounts drawn down under floating rate facility/loan agreements are subject to interest rates which are equal to 30, 60, 90 or 180 days LIBOR or EURIBOR rate plus a margin or at fixed interest rates. All amounts are guaranteed by Titan Cement Company S.A., the company's immediate parent undertaking, with the exception of €699,321,000 due from Titan Cement Company S.A..

Credit risk with respect to loan receivables is limited due to the company's customer base being related parties for whom there is no recent history of default. Due to this, management believe there is no credit risk provision required for doubtful receivables in both this and the prior year.

As of 31 December 2012, loans and other receivables of €Nil (2011: €Nil) were past due and not impaired.

Loans and other receivables are denominated in the following currencies:

	2012 €'000	2011 €'000
Euros	**855,473**	884,494
US Dollars	**134,582**	204,565
Pounds sterling	**168**	1,606
	990,223	1,090,665

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7 Ordinary shares

	2012	2011
	€'000	€'000
Authorised, issued and fully paid		
2,500,000 ordinary shares of £1 each	**3,287**	3,287

8 Retained earnings

	€'000
At 1 January 2011	3,044
Total comprehensive income for the year	1,519
At 31 December 2011	**4,563**
At 1 January 2012	4,563
Total comprehensive income for the year	1,060
At 31 December 2012	**5,623**

9 Loans and other payables

	Note	2012 €'000	2011 €'000
Amounts owed after more than one year			
Payables to related parties	18	**74,813**	397,090

	Note	2012 €'000	2011 €'000
Amounts owed within one year			
Trade payables		**48**	-
Payables to related parties	18	**403,863**	24,500
Accrued expenses		**6,951**	10,916
		410,862	35,416

Amounts payable to related parties represent intra-Group facilities and loans.

Notes to the financial statements

for the year ended 31 December 2012

9 Loans and other payables (continued)

Amounts are drawn down from each facility for periods between 30 and 180 days, however each tranche is considered as part of one of the long-term Revolving Credit Facilities which are repayable either partially or in full at the option of the related party or it may be renewed for another period. Accordingly, the amounts drawn down have been classified as payable between one and three years in accordance with the terms of the facility. Amounts drawn down under floating rate facility/loan agreements are subject to interest rates which are equal to 30, 60, 90 or 180 days LIBOR or EURIBOR rate plus a margin.

Loans and other payables are denominated in the following currencies:

	2012	2011
	€'000	€'000
Euros	**477,797**	424,636
US Dollars	**7,743**	7,775
Pounds sterling	**135**	95
	485,675	432,506

10 Borrowings

	2012	2011
	€'000	€'000
Amounts owed after more than one year		
Bank borrowings (net of transaction costs)	**217,994**	470,340
Listed guaranteed notes (net of transaction costs)	**194,115**	198,424
	412,109	668,764

	2012	2011
	€'000	€'000
Amounts owed within one year		
Listed guaranteed notes (net of transaction costs)	**97,070**	-

Bank borrowings

Bank borrowings represent amounts drawn down on the €585,000,000 multi-currency forward-start Revolving Credit Facility with Banc of America Securities Limited, HSBC Bank plc and BNP Paribas as arrangers and Banc of America Securities Limited as agent. The forward-start Revolving Credit Facility is committed for a fixed period and expires on 5 January 2015. These borrowings are guaranteed by Titan Cement Company S.A., the company's immediate parent undertaking.

10 Borrowings (continued)

Bank borrowings (continued)

Amounts are drawn down for periods between 30 and 180 days, however each tranche is considered as part of the long-term revolving credit facility which is repayable either partially or in full at the option of the company or it may be renewed for another period. Accordingly, the amounts drawn down have been classified as payable within three years in accordance with the terms of the facility. Amounts drawn down from floating rate facility/loan agreements are subject to interest rates equal to 30, 60, 90 or 180 days LIBOR or EURIBOR rates plus a margin. The agreement contains a financial covenant on the Titan Group's consolidated net debt to consolidated EBITDA ratio. The Titan Group was in compliance with its covenants as at 31 December 2012.

The amount of undrawn bank facilities at 31 December 2012 was €364,635,000 (2011: €111,074,000).

Bank borrowings (net of transaction costs) are denominated in the following currencies:

	2012	2011
	€'000	€'000
Euros	**97,630**	278,015
US Dollars	**120,364**	192,325
	217,994	470,340

Listed guaranteed notes

On 30 July 2009, the company issued €200,000,000 6.9% fixed rate guaranteed notes, which are quoted on the Luxembourg stock exchange. The notes are redeemable at par on 30 July 2013 and interest is payable semi-annually.

On 19 December 2012, the company offered to renew the €200,000,000 6.9% guaranteed notes in advance of their maturity on 30 July 2013. Under the terms of the renewal, the new guaranteed notes bear interest at 8.75% and expire on 19 January 2017.

Holders of 6.9% guaranteed notes amounting to €102,346,000 accepted the renewal.

Holders of €97,654,000 6.9% guaranteed notes did not accept the renewal, and as a consequence the company continues to hold €97,654,000 6.9% guaranteed notes, expiring on 30 July 2013.

On 19 December 2012, the company issued €97,654,000 8.75% guaranteed notes, expiring on 19 January 2017. Consequently, the company holds €200,000,000 8.75% guaranteed notes, expiring on 19 January 2017. All notes are guaranteed by Titan Cement Company S.A., the company's immediate parent undertaking. As a result, the company has proactively secured a further four years funding.

The notes are recognised in the statement of financial position at amortised cost. The fair value of borrowings is equal to their carrying amount. Please refer to note 11 for further details.

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11 Financial Instruments

Loans and receivables, loans and payables and borrowings are stated at amortised cost which is approximate to fair value. There is no material difference between amortised cost and fair value.

In assessing fair value, the company uses a variety of methods and makes assumptions based on market conditions existing at each year end date. Quoted market prices or dealer quotes for the specific instruments are used for long-term debt. Other techniques, such as estimated discounted value of future cash flows, are used to determine the fair value for the remaining financial instruments.

The face value less any estimated credit adjustment for financial assets and liabilities with a maturity of less than one year, is assumed to approximate its fair value. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the company for similar instruments.

12 Expenses by nature

	Note	**2012** **€'000**	2011 €'000
Employee benefit expenses	14	**37**	39
Foreign exchange		**274**	(213)
Other expenses		**286**	280
Total administrative expenses		**597**	106

13 Auditor remuneration

The company obtained the following services from the company's auditor.

	2012 **€'000**	2011 €'000
Audit of the financial statements	**20**	32
Audit related assurance services	**22**	5

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for the year ended 31 December 2012

14 Employees and directors

During the current and previous financial year there were no employees other than directors.

	2012	2011
	€'000	€'000
Directors		
Aggregate emoluments	**37**	39

The amounts disclosed above represent key management compensation (directors only). A number of directors are remunerated by other Group undertakings with no recharge to the company. The amount of remuneration paid to directors in respect of their services to the company was €37,000 (2011: €38,000). Administration work is outsourced to a company affiliate.

15 Finance income and costs

		2012	2011
	Note	**€'000**	€'000
Finance income:			
Interest income on loans to related parties	18	**43,909**	41,760
Loan arrangement, commitment and utilisation fees		**5,961**	7,384
Interest income on cash and cash equivalents		**108**	615
Other interest		**3**	-
Finance income		**49,981**	49,759
Finance costs:			
Interest payable on loans from related parties and borrowings		**(42,239)**	(41,436)
Loan arrangement, commitment and utilisation fees		**(5,594)**	(6,163)
Other interest		**(84)**	-
Finance costs		**(47,917)**	(47,599)
Finance income - net		**2,064**	2,160

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for the year ended 31 December 2012

16 Income tax expense

	2012 €'000	2011 €'000
Current tax:		
UK corporation tax on profits for the year	**359**	544
Adjustment in respect of prior periods	**48**	(9)
Income tax expense	**407**	535

The tax on the company's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the entity as follows:

	2012 €'000	2011 €'000
Profit before income tax	**1,467**	2,054
Profit before income tax multiplied by the weighted average rate of corporation tax in the UK of 24.5% (2011: 26.5%)	**359**	544
Tax effects of:		
Adjustments to income tax charge in respect of prior years	**48**	(9)
Income tax expense	**407**	535

Factors affecting current and future tax charges

During the year, a reduction in the UK main corporation tax rate to 23% was substantively enacted on 3 July 2012 and will be effective from 1 April 2013.

Further reductions to the main rate are proposed to reduce the rate to 20% by 1 April 2015. These further reductions are expected to be enacted in future Finance Acts.

17 Cash (used in)/generated from operations

	Note	2012 €'000	2011 €'000
Profit before income tax		**1,467**	2,054
Adjustments for:			
Finance income	15	**(49,981)**	(49,759)
Finance costs	15	**47,917**	47,599
Changes in working capital:			
Loans and other receivables		**299**	81
Borrowings, loans and other payables		**(200)**	472
Cash (used in)/generated from operations		**(498)**	447

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18 Related party transactions

The following transactions were carried out with related parties:

a. Purchase of services

	2012	2011
	€'000	€'000
Purchase of services		
Other related parties	**37**	39

Legal services totalling €37,000 (2011: €39,000) at normal market rates were incurred from Rollits Solicitors. A partner of Rollits Solicitors, CR Field, is also a director of the company.

b. Key management compensation

Key management includes statutory directors only. The compensation paid or payable to key management for employee services is shown below:

	2012	2011
	€'000	€'000
Key management compensation		
Salaries and other short term employee benefits	**37**	39

c. Loans receivable and payable

Year end balances arising from financing activities are as follows:

	2012	2011
	€'000	€'000
Receivables from related parties		
Immediate parent undertaking	**692,362**	620,360
Fellow group undertakings	**287,310**	458,435
Payables to related parties		
Fellow group undertakings	**478,676**	421,590

Interest arising from financing activities were as follows:

	2012	2011
	€'000	€'000
Receivable from related parties		
Immediate parent undertaking	**27,184**	27,688
Fellow group undertakings	**16,725**	14,072
Paid to related parties		
Fellow group undertakings	**15,425**	13,766

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18 Related party transactions (continued)

c. Loans receivable and payable (continued)

Arrangement fees, commitment fees and utilisation fees arising from financing activities were as follows:

	2012	2011
	€'000	€'000
Receivable from related parties		
Immediate parent undertaking	**3,654**	4,717
Fellow group undertakings	**2,307**	2,667
Paid to related parties		
Fellow group undertakings	**286**	361

19 Parent undertakings and controlling party

The company's immediate and ultimate parent undertaking and controlling party is Titan Cement Company S.A., a company incorporated in Greece.

The largest and smallest group in which the results of the company are consolidated is that headed by Titan Cement Company S.A. The consolidated financial statements of this group may be obtained from Titan Cement Company S.A., 22A Halkidos Street, Athens, 111-43 Greece.