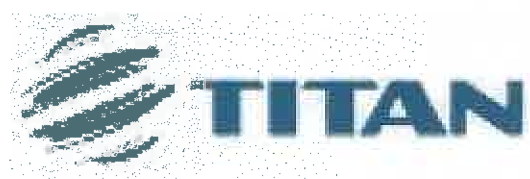

GRAVEL AND SAND PITS BULGARIA EAD

ANNUAL SEPARATE FINANCIAL STATEMENTS

31 December 2012

GRAVEL AND SAND PITS BULGARIA EAD

Contents

General Information i
Directors' Report ii
Independent Auditors' Report to the Sole Shareholder of Gravel and Sand Pits Bulgaria EAD 1
Separate Statement of Comprehensive Income 3
Separate Balance Sheet 4
Separate Statement of Changes in Equity 5
Separate Cash Flow Statement 6
Notes to the Separate Financial Statements
1. Corporate information 7
2.1 Basis of preparation 7
2.2 Summary of significant accounting policies 8
2.3 Changes in accounting policy and disclosures 14
3. Significant accounting judgments, estimates and assumptions 14
4. Standards issued but not yet effective and not early adopted 15
5. Expenses and revenues 18
6. Income tax 18
7. Property, plant and equipment 20
8. Equity investments 20
9. Cash and short-term deposits 21
10. Issued capital and reserves 21
11. Other payables 22
12. Related party disclosures 22
13. Commitments and contingencies 24
14. Financial risk management objectives and policies 24
15. Financial instruments 26
16. Events after the reporting period 26

Directors

Alexander Nakov Chakmakov
Mihalis Sigalas
Konstantinos Derdemezis
Fokion Tasoulas
Evstratios Voulgaridis

Registered office

6, Poruchik Nedelcho Bonchev Str.
Sofia

Solicitors

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

Bankers

Eurobank EFG Bulgaria AD – Sofia
Raiffiesenbank Bulgaria

Auditors

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

DIRECTORS' REPORT

The Directors present the report and the separate financial statements of Gravel and Sand Pits Bulgaria EAD prepared in accordance with International Financial Reporting Standards, as adopted for use in the European Union, for the year ended 31 December 2012. These financial statements have been audited by Ernst and Young Audit OOD.

GENERAL INFORMATION AND BUSINESS DESCRIPTION

The Company was registered in the Republic of Bulgaria. Its main activity includes development and exploitation of aggregates quarries.

BUSINESS DESCRIPTION

Current year results

Environmental impact assessment procedure for Rousse operation is advancing well, in beginning of 2013 are expected certain procedures, regarding the assessment. Permit was received for the port reconstruction in order to upgrade the overall port infrastructure and discharge capacity.

Court case for Kosharite pit was won at first instance level.

Environmental impact assessment procedure is ongoing for a quarry near Sofia. A resolution is expected by the Environmental authorities for the scope of the assessment.

A resolution is taken by the Council of Ministers to provide exploration rights for a quarry near Plovdiv for a period of one year. A contract is to be signed with the Ministry of Economy.

All activities for developing potential quarries were financed by dividends from associated companies. At present, the company works mainly with third party consultants and specialists, as the scope of activity does not require hiring of own personnel yet.

Share capital structure

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

Investments

As of 31 December 2012, Gravel and Sand Pits Bulgaria EAD holds interests in the following subsidiaries and associates:

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

During 2010 Holcim Karierni Materiali AD acquired 100% of Vris OOD. As a result of the transaction, Gravel and Sand Pits Bulgaria EAD has a significant influence in Vris OOD.

OBJECTIVES OF THE COMPANY FOR 2013

The Directors set to achieve the following objectives in year 2013:

- Complete preparation for opening aggregates operations in Rousse and Sofia;
- Complete exploration activities for the quarry near Plovdiv

We look optimistically at the future of Gravel and Sand Pits Bulgaria EAD and believe that if management exercises proper control over the business, this will lead to effective realization of the Company's objectives.

CORPORATE GOVERNANCE

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

As at 31 December 2012, the Board of Directors consists of:

1. Alexander Nakov Chakmakov
2. Mihalis Sigalas
3. Konstantinos Derdemezis
4. Fokion Tasoulas
5. Evstratios Voulgaridis

Alexander Nakov Chakmakov is the Company's Executive Director.

Directors' responsibilities

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the state of affairs of the company as at the year end and of the profit or loss and cash-flows for the year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 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

Gravel and Sand Pits Bulgaria EAD
Sofia
4 March 2013

Ernst & Young

Ernst & Young Audit OOD
Polygraphia Office Center
47A, Tsarigradsko Shose Blvd., fl. 4
1124 Sofia, Bulgaria
Tel: +359 2 81 77 100
Fax: +359 2 81 77 111
www.ey.com

Independent auditors' report

To the sole shareholder of

Gravel and Sand Pits Bulgaria EAD

Report on the separate financial statements

We have audited the accompanying separate financial statements of Gravel and Sand Pits Bulgaria EAD, which comprise the separate balance sheet as of 31 December 2012, and the separate statement of comprehensive income, separate statement of changes in equity and separate 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 separate financial statements

Management is responsible for the preparation and presentation of separate 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 separate 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 separate 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 separate financial statements are free from material misstatement.

Ernst & Young

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate 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 separate 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 separate 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 separate financial statements give a true and fair view of the financial position of Gravel and Sand Pits Bulgaria EAD 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.

Ernst & Young Audit OOD

"Ernst & Young"

4 March 2013

Sofia, Bulgaria

GRAVEL AND SAND PITS BULGARIA EAD
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	2012	2011
		€000	€000
Concession fees		(19)	(37)
Administrative expenses	5.1	(92)	(128)
Other expenses		-	(11)
Operating loss		**(111)**	**(176)**
Finance income	5.3	64	45
Loss before tax		**(47)**	**(131)**
Income tax income	6	1	1
Loss for the year		**(46)**	**(130)**
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		**(46)**	**(130)**

Chief Executive Officer
Alexandar Chakmakov

The accompanying notes to the financial statements on pages 7 to 26 form an integral part of these financial statements.

GRAVEL AND SAND PITS BULGARIA EAD
SEPARATE BALANCE SHEET
As of 31 December 2012

	Notes	2012	2011
ASSETS		**€000**	**€000**
Non-current assets			
Property, plant and equipment	7	3,148	3,166
Investments in subsidiaries	8.1	1,951	1,951
Deferred tax asset	6	5	4
Other non-current financial assets		8	3
		5,112	5,124
Current assets			
Other receivables		5	2
Receivables from related parties	12	847	905
Cash and short-term deposits	9	13	4
		865	**911**
TOTAL ASSETS		**5,977**	**6,035**
EQUITY AND LIABILITIES			
Equity			
Issued capital	10.1	69	69
Legal reserves	10.2	7	7
Retained earnings		5,901	5,947
Total equity		**5,977**	**6,023**
Current liabilities			
Other payables	11	-	12
		-	**12**
TOTAL EQUITY AND LIABILITIES		**5,977**	**6,035**

Chief Executive Officer
Alexandar Chakmakov

The accompanying notes to the financial statements on pages 7 to 26 form an integral part of these financial statements.

GRAVEL AND SAND PITS BULGARIA EAD
SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Issued capital (Note 10.1)	Legal reserves (Note 10.2)	Retained earnings	Total
	€000	€000	€000	€000
At 1 January 2011	69	7	6,077	6,153
Loss for the year	-	-	(130)	(130)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(130)	(130)
At 31 December 2011	69	7	5,947	6,023
At 1 January 2012	69	7	5,947	6,023
Loss for the year	-	-	(46)	(46)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(46)	(46)
At 31 December 2012	69	7	5,901	5,977

Chief Executive Officer
Alexandar Chakmakov

The accompanying notes to the financial statements on pages 7 to 26 form an integral part of these financial statements.

GRAVEL AND SAND PITS BULGARIA EAD
SEPARATE CASH FLOW STATEMENT
For the year ended 31 December 2012

	Notes	2012	2011
		€000	€000
OPERATING ACTIVITIES			
Loss before tax		**(47)**	**(131)**
Adjustments to reconcile loss before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	18	19
Dividend income	5.3	(34)	-
Interest income	5.3	(30)	(45)
Working capital adjustments:			
Increase in other financial assets		(5)	(1)
(Decrease) / Increase in trade and other payables		(12)	12
Increase in other receivables		(3)	(1)
Net cash flows used in operating activities		**(113)**	**(147)**
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	-	(20)
Loans granted to related parties	12	-	(1,001)
Dividends received from associates	12	34	-
Interest received		31	42
Net cash flows from / (used in) investing activities		**65**	**(979)**
FINANCING ACTIVITIES			
Proceeds from loans granted to related parties	12	57	1,130
Net cash flows from financing activities		**57**	**1,130**
Net increase in cash and short-term deposits		**9**	**4**
Cash and short-term deposits at 1 January		**4**	**-**
Cash and short-term deposits at 31 December	9	**13**	**4**

Chief Executive Officer
Alexandar Chakmakov

The accompanying notes to the financial statements on pages 7 to 26 form an integral part of these financial statements.

1. Corporate information

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

Gravel and Sand Pits Bulgaria EAD is a joint stock company. The Company is incorporated and domiciled in Sofia, Bulgaria with resolution of Lovech District Court 433/1998 and its financial year ends 31 December.

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

As of 31 December 2012 the Company's share capital was held by:

- Zlatna Panega Cement AD 100%

The ultimate parent company is Titan Cement Company S.A., Greece.

2.1 Basis of preparation

The separate financial statements have been prepared on a historical cost basis. They are presented in euros (EUR) and all values are rounded to the nearest thousand (EUR thousand) except when otherwise indicated.

Statement of compliance

The financial statements of Gravel and Sand Pits Bulgaria EAD have been prepared in accordance with International Financial Reporting Standards (IFRS), as 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. Therefore, these financial statements are the separate financial statements of Gravel and Sand Pits Bulgaria EAD where the investments in subsidiaries and associates are accounted for at cost. The Company meets the exemption criteria under IAS 27 Consolidated and Separate Financial Statements, for not presenting consolidated financial statements, as follows:

- The Company is itself a wholly-owned subsidiary of the ultimate parent Titan Cement Company S.A., Greece;
- The Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- The Company did not file, nor is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
- The ultimate parent company, Titan Cement Company S.A., Greece, prepares and presents consolidated financial statements available for public use that comply with IFRS, as adopted for use in the European Union. These consolidated financial statements are obtainable on internet address http://www.titan.gr. The address of the registered office of Titan Cement S.A. is 22 A Halkidikos Str., 111 43 Athens, Greece.

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.

The Company did not generate any operating income. The future viability of the Company depends upon the business environment as well as upon the continuing support of the sole shareholder and other related parties. The directors have analyzed the ability of Gravel and Sand Pits Bulgaria EAD to continue operations in the future and have taken measures to strengthen its position by obtaining financial support from the parent company. The Company has been provided with a binding letter of support from the parent company, stating that adequate funds and full support would be provided to enable the Company to continue operations at least until the next twelve-month period.

2.1 Basis of preparation (continued)

Going concern (continued)

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.

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:

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

Interest income
Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of comprehensive income.

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.

2.2 Summary of significant accounting policies (continued)

c) Taxes (continued)

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

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

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

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

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

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

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

Value added tax
Revenues, expenses and assets are recognised net of the amount of value added tax (VAT) except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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.

2.2 Summary of significant accounting policies (continued)

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

- **Financial assets (continued)**

Initial recognition and measurement (continued)

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, loan receivables, other receivables, other financial assets and unquoted investments.

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

Investments in subsidiaries and associates
Investments in subsidiaries and associates are measured at cost (according to IAS 27 Consolidated and separate financial statements) in these separate financial statements. Further details are given in Note 2.1 above and Note 8.

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.

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.

2.2 Summary of significant accounting policies (continued)

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

- **Financial assets (continued)**

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.

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 income statement. 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 income statement. 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 within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings directly attributable transaction costs. In case of interest-free or below market rate loan received from shareholders, at origination, any difference between the loan nominal amount and its fair value (estimated as present value using current market rates for similar instruments)) is treated as an equity contribution by the shareholders and presented as "Other equity contributions" in the statement of changes in equity.

The Company's financial liabilities include other payables.

2.2 Summary of significant accounting policies (continued)

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

- **Financial liabilities (continued)**

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

Loans and borrowings
After initial recognition, loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discounts or premiums on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

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 the income statement.

e) Offsetting of financial instruments

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

f) Fair value of financial instruments

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

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 15.

g) Issued capital

Issued capital represents the par value of shares issued and paid by the shareholders. Any proceeds in excess of par value are recorded in share premium.

h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2.2 Summary of significant accounting policies (continued)

h) Property, plant and equipment (continued)

Depreciation is calculated on a straight line basis over the useful life of the assets, as follows:

Plant and machinery	10 to 25 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

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.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

j) Cash and short-term deposits

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

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

2.3 Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations 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.

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 judgments, estimates and assumptions

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

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 2.2h.

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 there 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.

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.

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

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.

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 (striping 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.

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

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 32Financial 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.

5. Expenses and revenues

5.1 Administrative expenses

	2012	2011
	€000	€000
Consultancy fees	(23)	(36)
Conrtact labour	(21)	-
Depreciation (Note 7)	(18)	(19)
Local taxes	(8)	(13)
Membership fees	(5)	(5)
Repair and maintenance	-	(30)
Other professional services	(17)	(25)
	(92)	**(128)**

5.2 Expenses by nature

	2012	2011
	€000	€000
Materials	-	(30)
Hired services	(93)	(116)
Depreciation (Note 7)	(18)	(19)
Other expenses	-	(11)
	(111)	**(176)**

5.3 Finance income

	2012	2011
	€000	€000
Loans owed from related parties (Note 12)	30	45
Dividends received from associates (Note 8.2)	34	-
	64	**45**

6. Income tax

The major components of income tax expense for the year ended 31 December 2012 and 2011 are:

	2012	2011
	€000	€000
Deferred income tax income	1	1
Income tax income reported in the statement of comprehensive income	**1**	**1**

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

6. Income tax (continued)

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

	2012	2011
	€000	€000
Accounting loss before income tax	(47)	(131)
Income tax income at statutory tax rate of 10% for 2012 (2011: 10%)	5	13
Expenses not deductible for tax purposes	-	(1)
Revenue not subject to tax	3	-
Tax losses for which no deferred tax asset was recognised	(7)	(11)
Income tax income	1	1

Deferred income tax at 31 December relates to the following:

	Balance Sheet		Statement of comprehensive income	
	31 December 2012	31 December 2011	2012	2011
	€000	€000	€000	€000
Deferred tax asset				
Property, plant and equipment	5	4	1	1
	5	4		
Deferred tax income			1	1
Deferred tax asset	5	4		

The Company has incurred tax losses as follows:

Tax period	Period of availability for tax relief	2012	2011
		€000	€000
2012	2013 through 2017	72	-
2011	2012 through 2016	109	109
2010	2011 through 2015	21	21
2009	2010 through 2014	6	6
2008	2009 through 2013	60	60
2007	2008 through 2012	-	147
Total tax losses carried forward		268	343
Effective income tax rate		10%	10%
Deferred income tax asset not recognized		27	34

These losses can be carried forward as relief against future taxable profits. However, since the amounts and timing of future taxable income cannot be estimated reliably due to the uncertainties of the economic environment of the Company, no deferred tax asset has been recognised for the tax losses carried forward as of 31 December 2012 and 2011.

7. Property, plant and equipment

	Land	Plant and Machinery	Assets under Construction	Total
	€000	€000	€000	€000
Cost:				
At 1 January 2011	**2,973**	**200**	**44**	**3,217**
Additions	-	-	20	20
At 31 December 2011	**2,973**	**200**	**64**	**3,237**
At 31 December 2012	**2,973**	**200**	**64**	**3,237**
Depreciation:				
At 1 January 2011	**-**	**52**	**-**	**52**
Depreciation charge for the year	-	19	-	19
At 31 December 2011	**-**	**71**	**-**	**71**
Depreciation charge for the year	-	18	-	18
At 31 December 2012	**-**	**89**	**-**	**89**
Net book value:				
At 1 January 2011	**2,973**	**148**	**44**	**3,165**
At 31 December 2011	**2,973**	**129**	**64**	**3,166**
At 31 December 2012	**2,973**	**111**	**64**	**3,148**

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.

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

8. Equity investments

8.1 Investments in subsidiaries

	Country of incorporation	% equity interest 2012	% equity interest 2011
Double V Co	Bulgaria	100%	100%

The investment in subsidiary is measured at cost as follows:

	2012	2011
	€000	€000
Double V Co	1,951	1,951
	1,951	**1,951**

During 2007 the Company acquired 100% interest in Double V Co EOOD Bulgaria for a total consideration of EUR 1,951 thousand. The shares in the wholly-owned subsidiary do not have a quoted market price in an active market and their fair value cannot be reliably measured.

8. Equity investments (continued)

8.2 Investments in associates

	Country of incorporation	% equity interest 2012	% equity interest 2011
Holcim Karierni Materiali Plovdiv AD	Bulgaria	48.72%	48.72%
Holcim Karierni Materiali AD	Bulgaria	48.77%	48.77%

The investments in associates are measured at cost including the purchase price consideration paid less dividends received from the pre-acquisition earnings of associates. The cost of investments in associates as of 31 December 2012 is nil (2011: nil).

In 2012 the amount received from post-acquisition earnings of Holcim Karierni Materiali Plovdiv AD amounting to EUR 34 thousand was recognized as finance income in the statement of comprehensive income (Note 5.3). In 2011 no dividends were received from associated.

During 2010 Holcim Karierni Materiali AD acquired 100% of Vris OOD. As a result of the transaction, Gravel and Sand Pits Bulgaria EAD has a significant influence with interest of 48.77% in Vris OOD.

The shares in the associates do not have a quoted market price in an active market and their fair value cannot be reliably measured.

9. Cash and short-term deposits

	2012	2011
	€000	€000
Cash at bank	13	-
Short-term deposits	-	4
	13	**4**

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates. As of 31 December 2012, the fair value of cash and short-term deposit is EUR 13 thousand (2011: EUR 4 thousand).

10. Issued capital and reserves

10.1 Issued capital

	2012	2011
	€000	€000
Ordinary shares of EUR 0.51 each, as per court registration	69	69
	69	**69**

10. Issued capital and reserves (continued)

10.1 Issued capital (continued)

	Number of ordinary shares (thousand)	Authorised and issued share capital
		€000
At 1 January 2011	135	69
At 31 December 2011	135	69
At 31 December 2012	**135**	**69**

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 Gravel and Sand Pits Bulgaria EAD. Legal reserves are required to equal one-tenth of the authorised capital. The source of the legal reserves comes from not less than one-tenth of earnings, premiums on share or debenture issues and other sources established by the articles of association of a company or the general meeting of its shareholders. The legal reserves can only be used to offset current year and prior year losses. As at 31 December 2012 legal reserves amount to EUR 7 thousand (2011: EUR 7 thousand).

11. Other payables

	2012	2011
	€000	€000
Payables for concession fees	-	12
	-	**12**

According to a concession contract from 2009, the Company owes concession fee for every 6-month period during the term of the contract (2009 – 2034), which is calculated based on specific methodology.

12. Related party disclosures

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

Entity with controlling interest in the Company
The sole shareholder of the Company is Zlatna Panega Cement AD, Bulgaria.

Subsidiaries
Double V Co EOOD, registered in Rousse is a wholly-owned subsidiary of the Company.

Associates
Gravel and Sand Pits Bulgaria EAD has significant interest of 48.77% in Holcim Karierni Materiali AD and 48.72% in Holcim Karierni Materiali Plovdiv AD. The Company also has a significant influence over Vris OOD, with interest of 48.77% through its associate Holcim Karierni Materiali Sofia AD.

Other related parties
Zlatna Panega Beton EOOD and Gravel and Sand Pits Bulgaria EAD are related parties because they are under the common control of Titan Cement Company SA (the ultimate parent).

12. Related party disclosures (continued)

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

		Dividends received	Amounts owed from related parties
Dividends received from related party		€000	€000
Associates			
Holcim Karierni Materiali Plovdiv AD	2012	34	-
Holcim Karierni Materiali Plovdiv AD	2011	-	-
	2012		-
	2011		-

		Interest received	Amounts owed from related parties
In respect of loans from / to related party		€000	€000
Entity under common control			
Zlatna Panega Beton EOOD	2012	30	847
Zlatna Panega Beton EOOD	2011	32	905
Entity with controlling interest in the Company			
Zlatna Panega Cement AD	2012	-	-
Zlatna Panega Cement AD	2011	13	-
	2012		847
	2011		905

Loans owed from related parties

As at 31 December 2012 included in the amounts owed from related parties in respect of loans is interest receivable from Zlatna Panega Beton EOOD at the amount of EUR 2 thousand (2011: EUR 3 thousand).

Zlatna Panega Cement AD
During 2011, Zlatna Panega Cement AD repaid in full the loans received of EUR 1,031 thousand to Gravel and Sand Pits Bulgaria EAD. Interest was charged at 3M SOFIBOR plus spread of 2%. The accrued and paid interest amounted to EUR 13 thousand

Zlatna Panega Beton EOOD
In March 2011, the Company provided a loan at the amount of EUR 1,001 thousand to its related party - Zlatna Panega Beton EOOD. It is intended to finance the working capital needs of the related party. The loan is unsecured and is repayable in March 2013. Interest is charged at 1M Sofibor rate plus spread of 2.30%. During the year Zlatna Panega Beton EOOD repaid EUR 57 thousand of the loan.

12. Related party disclosures (continued)

Terms and conditions of transactions with related parties

Transactions with related parties are made at contracted prices. Outstanding balances at year end are unsecured, interest free (except for loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For year ended 31 December 2012, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2011: Nil). This assessment is undertaken each financial period by examining the financial position of the related party and the market in which the related party operates.

13. Commitments and contingencies

Capital commitments

There are no capital commitments valid as of 31 December 2012.

Legal claims

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

Other

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

- Social security contributions – until 31 August 2005.
- VAT - until 31 March 2008;

For the other taxes no tax audits were performed.

The directors do not believe that, as of 31 December 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 other payables. The Company's main financial assets include equity investments, receivables from related parties and cash and short-term deposits.

The main risks inherent in the Company's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk
The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term loans to related parties with floating interest rates.

14. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's loss before tax (through the impact on the floating rate borrowings). There is no impact on the Company's equity.

	Increase/ decrease in basis points	Effect on loss before tax
		€000
2012		
Loans in BGN	+200	17
Loans in BGN	-100	(8)
2011		
Loans in BGN	+200	18
Loans in BGN	-100	(9)

Liquidity risk
Prudent liquidity risk management implies maintaining sufficient cash. The liquidity risk is addressed by continuing support of the parent company.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2011 based on contractual undiscounted payments.

As of 31 December 2011

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Other payables	-	12	-	-	-	12
	-	12	-	-	-	12

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

Credit risk
With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents, equity investments, other receivables, other financial assets and receivables from related parties, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

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

	2012	2011
	€000	€000
EBITDA	(93)	(157)

The Company is not subject to any externally imposed capital requirements. The structure and management of debt capital is determined by the parent company, Zlatna Panega Cement AD.

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. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

The management of Company believes that the fair value of financial instruments comprising cash items, loans to related parties, other receivables and payables 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

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