



GRAVEL AND SAND PITS BULGARIA EAD

ANNUAL SEPARATE FINANCIAL STATEMENTS

31 December 2013

GRAVEL AND SAND PITS BULGARIA EAD

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GRAVEL AND SAND PITS BULGARIA EAD

General Information

Directors

Alexander Nakov Chakmakov
Michail Sigalas
Christos Panagopoulos
Fokion Tasoulas
Evstratios Voulgaridis

Registered office

6, Poruchik Nedelcho Bonchev Str.
Sofia

Solicitors

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

Bankers

First Investment Bank
Raiffisenbank Bulgaria

Auditors

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

GRAVEL AND SAND PITS BULGARIA EAD
DIRECTORS' REPORT

For the year ended 31 December 2013

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 2013. 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

During the year a Permit for the Extraction of Aggregates from the Danube river was issued by the relevant authorities in 2013 after a successful Environmental impact assessment procedure for the operation in Ruse. The port reconstruction and a small-scale pilot extraction project are envisaged.

The court case for the Environmental Impact Assessment of Kosharite pit was returned from second instance level of the Supreme Administrative Court to first instance level. The procedure is still ongoing.

Another Environmental impact assessment procedure is ongoing for a quarry near Sofia. After a resolution by the Environmental authorities for the scope of the assessment was issued, we have initiated the preparation of an Environmental Impact Assessment Report.

An Exploration contract with the Ministry of Economy for a quarry near Plovdiv was signed for a period of one year.

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 2013, 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 EOOD. As a result of the transaction, Gravel and Sand Pits Bulgaria EAD has a significant influence in Vris EOOD.

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

For the year ended 31 December 2013

OBJECTIVES OF THE COMPANY FOR 2014

The Directors set to achieve the following objectives in year 2014:

- Start small-scale pilot aggregates operation in Rousse;
- Complete preparation for opening aggregates operations in 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 2013, the Board of Directors consists of:

1. Alexander Nakov Chakmakov
2. Michail Sigalas
3. Christos Panagopoulos
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 separate 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 separate financial statements for the year ended 2013.

The Directors also confirm that applicable accounting standards have been followed and that the separate 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 prevention and detection of fraud and other irregularities.

Alexander Chakmakov
Executive Director

Gravel and Sand Pits Bulgaria EAD
Sofia
4 March 2014



Independent auditors' report

To the sole shareholder of

Gravel and Sand Pits Bulgaria EAD

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 2013, 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.

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.

A member firm of Ernst & Young Global Limited

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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 2013, 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

Ernst & Young Audit OOD

12 March 2014

Sofia, Bulgaria

GRAVEL AND SAND PITS BULGARIA EAD
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Notes	2013	2012
		€000	€000
Concession fees		(54)	(19)
Administrative expenses	5.1	(86)	(92)
Operating loss		(140)	(111)
Finance income	5.3	23	64
Loss before tax		(117)	(47)
Income tax income	6	1	1
Loss for the year		(116)	(46)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(116)	(46)

Chief Executive Officer
Alexandar Chakmakov



The accompanying notes to the financial statements on pages 7 to 27 form an integral part of these financial statements.

GRAVEL AND SAND PITS BULGARIA EAD
SEPARATE BALANCE SHEET
As of 31 December 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		€000	€000
ASSETS			
Non-current assets			
Property, plant and equipment	7	3,129	3,148
Investments in subsidiaries	8.1	1,951	1,951
Deferred tax asset	6	6	5
Other non-current financial assets		12	8
		<u>5,098</u>	<u>5,112</u>
Current assets			
Other receivables		14	5
Receivables from related parties	12	767	847
Cash and cash equivalents	9	1	13
		<u>782</u>	<u>865</u>
TOTAL ASSETS		<u>5,880</u>	<u>5,977</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	10.1	69	69
Legal reserves	10.2	7	7
Retained earnings		5,785	5,901
Total equity		<u>5,861</u>	<u>5,977</u>
Current liabilities			
Other payables	11	19	-
		<u>19</u>	<u>-</u>
TOTAL EQUITY AND LIABILITIES		<u>5,880</u>	<u>5,977</u>

Chief Executive Officer
Alexandar Chakmakov



The accompanying notes to the financial statements on pages 7 to 27 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 2013

	Issued capital (Note 10.1)	Legal reserves (Note 10.2)	Retained earnings	Total
	€000	€000	€000	€000
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
At 1 January 2013	69	7	5,901	5,977
Loss for the year	-	-	(116)	(116)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(116)	(116)
At 31 December 2013	69	7	5,785	5,861

Chief Executive Officer
Alexander Chakmakov



The accompanying notes to the financial statements on pages 7 to 27 form an integral part of these financial statements.

GRAVEL AND SAND PITS BULGARIA EAD
SEPARATE CASH FLOW STATEMENT
For the year ended 31 December 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		€000	€000
OPERATING ACTIVITIES			
Loss before tax		(117)	(47)
Adjustments to reconcile loss before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	19	18
Dividend income	5.3	-	(34)
Interest income	5.3	(23)	(30)
Working capital adjustments:			
Increase in other financial assets		(4)	(5)
Increase / (Decrease) in trade and other payables		19	(12)
Increase in other receivables		(9)	(3)
Net cash flows used in operating activities		<u>(115)</u>	<u>(113)</u>
INVESTING ACTIVITIES			
Loans granted to related parties	12	(20)	-
Proceeds from loans granted to related parties	12	100	57
Dividends received from associates	12	-	34
Interest received		23	31
Net cash flows from investing activities		<u>103</u>	<u>122</u>
Net (decrease) / increase in cash and short-term deposits		<u>(12)</u>	<u>9</u>
Cash and short-term deposits at 1 January		<u>13</u>	<u>4</u>
Cash and short-term deposits at 31 December	9	<u>1</u>	<u>13</u>

Chief Executive Officer
Alexandar Chakmakov



The accompanying notes to the financial statements on pages 7 to 27 form an integral part of these financial statements.

GRAVEL AND SAND PITS BULGARIA EAD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2013

1. Corporate information

The financial statements of Gravel and Sand Pits Bulgaria EAD (the Company) for the year ended 31 December 2013 were authorized for issue in accordance with a resolution of the Board of Directors on 4 March 2014.

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 2014.

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 (EUR) 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 recognized:

Dividends

Revenue is recognized when the Company's right to receive the payment is established. The Company recognizes 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 recognized 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 profit or loss.

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 profit or loss. The losses arising from impairment are recognised in profit or loss 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 profit or loss. 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 profit or loss. 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 in profit or loss.

- **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 profit or loss 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 profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

e) Offsetting of financial instruments

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

f) Fair value measurement

The Company does not report any financial instruments, as well as non-financial assets at fair value at the balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 15

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.2. Summary of significant accounting policies (continued)

f) Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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.

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 profit or loss 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.

2.2. Summary of significant accounting policies (continued)

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 cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at banks and cash at hand.

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 2013:

- *IAS 1 Presentation of Financial Statements (Amendment) - Presentation of Items of Other Comprehensive Income*
- *IAS 19 Employee Benefits (Revised)*
- *IFRS 1 Government Loans – Amendments to IFRS 1*
- *IFRS 7 Financial Instruments: Disclosures (Amendment) – Offsetting Financial Assets and Financial Liabilities*
- *IFRS 13 Fair Value Measurement*
- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*
- *Improvements to IFRS – 2009 – 2011 Cycle.*

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:

2.3. Changes in accounting policy and disclosures (continued)

New and amended standards and interpretations (continued)

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

The amendments to IAS 1 require grouping of items presented in other comprehensive income. Items that will be reclassified ('recycled') to profit or loss at a future point in time are presented separately from items that will not be reclassified by introducing two sub-headings "Other comprehensive income to be reclassified to profit or loss in subsequent periods" and "Other comprehensive income not to be reclassified to profit or loss in subsequent periods" in the statement of other comprehensive income. The amendments affect presentation only and have no impact on the Company's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment as part of Improvements to IFRS – 2009 – 2011 Cycle)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendments clarify that the opening statement of financial position, presented as a result of retrospective restatement or reclassification of items in financial statements does not have to be accompanied by comparative information in the related notes. The amendments affect presentation only and have no impact on the Company's financial position or performance.

IAS 19 Employee Benefits (Revised)

The key changes of IAS 19 (Revised) include the following:

- Actuarial gains and losses are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur.
- All past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period.
- Accumulating paid annual leave that the Company does not expect to settle wholly within twelve months after the end of the reporting period are classified as other long-term employee benefits and measured at the present value of expected cost. Previously, all paid annual leave was measured at the undiscounted amount of the expected cost of the benefit.

The amendment has no effect on the financial position or performance of the Company.

IFRS 13 Fair Value Measurement

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. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company reassessed its policies for measuring fair values. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not materially impacted the fair value measurements of the Company. As the Company does not report any non-financial assets at fair value and the carrying amount of financial instruments comprising cash items, loans to related parties, other receivables and payables is a reasonable approximation of fair value no additional disclosures are required.

Other new and amended standards and interpretations

The following amendments to standards do not have any effect on the Company's financial position and /or performance:

- IFRS 1 *Government Loans – Amendments to IFRS 1*
- IFRS 7 *Financial Instruments: Disclosures (Amendment) - Offsetting Financial Assets and Financial Liabilities*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- Improvements to IFRS – 2009 – 2011 Cycle (other than IAS 1 Clarification to the requirement for comparative information (Amendment) described above).

2.3. Changes in accounting policy and disclosures (continued)

Reclassifications

Certain reclassifications of comparative information included in the separate cash flow statement were made in order to ensure consistency with the presentation of current period's figures and improve understandability of financial information:

- Proceeds from loans granted to related parties at the amount of EUR 57 thousand for the year ended 31 December 2012 was presented within investing activities as compared to prior period when it was presented within financing activities.

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 19 *Defined Benefit Plans: Employee Contributions – Amendment to IAS 19*

The narrow-scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective for annual periods beginning on or after 1 January 2014. They have not yet been adopted for use in the EU. It is not expected that these amendments would be relevant to the Company.

IAS 27 *Separate Financial Statements (Revised)*

The revised standard, as adopted for use in the 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 adopted for use in the 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.

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

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.

IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets - Amendments to IAS 36 Impairment of Assets*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective for annual periods beginning on or after 1 January 2014. It is not expected that these amendments would result in additional disclosures for the Company.

IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting - Amendments to IAS 39*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. It is not expected that these amendments would be relevant to the Company.

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 adopted for use in the EU.

IFRS 10 *Consolidated Financial Statements*

The new standard, as adopted for use in the 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 judgment 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 adopted for use in the 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 adopted for use in the 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.

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

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Company.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. It has not yet been adopted for use in the EU. The Company does not expect that IFRIC 21 will have material financial impact in future financial statements.

Annual improvements to IFRSs 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued amendments to seven standards which are applicable for financial year 2015. Summary of amendments and related standards are provided below:

- IFRS 2 Share-based Payments – amended definitions of ‘vesting conditions’ and ‘market condition’ and adding the definitions of ‘performance condition’ and ‘service condition’;
- IFRS 3 Business Combinations – clarification on the accounting for contingent consideration arising from business combination;
- IFRS 8 Operating Segments – additional disclosures of management judgement on aggregating operating segments and clarification on reconciliation of total segments’ assets to the entity’s assets;
- IFRS 13 Fair Value Measurement – clarification on interaction with IFRS 9 as regards short-term receivables and payables;
- IAS 16 Property, Plant and Equipment – amended to state that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount while the accumulated depreciation is calculated as a difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses;
- IAS 24 Related Party Disclosures – clarified that a management entity that provides key management services to a reporting entity is deemed to be a related party; disclosure of the service fee paid or payable is required;
- IAS 38 Intangible Assets – same amendment as IAS 16 above.

The Company is in the process of assessing the impact of the amendments on its financial statements. The Improvements to IFRS – 2010 – 2012 Cycle have not yet been adopted for use in the EU yet.

Annual improvements to IFRSs 2011-2013 Cycle

In the 2011-2013 annual improvements cycle, the IASB issued amendments to four standards which are applicable for financial year 2015. Summary of amendments and related standards are provided below:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – clarification on the early application of new IFRS that is not yet mandatory;
- IFRS 3 Business Combinations – clarification on scope exclusions regarding the formation of joint arrangement in the financial statements of the joint arrangement itself;
- IFRS 13 Fair Value Measurement – clarification on the application of portfolio exception (measuring fair value of a group of financial assets and financial liabilities on a net basis);
- IAS 40 Investment Property – clarification on the interrelationship between IFRS 3 and IAS 40.

The Company is in the process of assessing the impact of the amendments on its financial statements. The improvements to IFRS – 2011 – 2013 Cycle have not yet been adopted for use in the EU yet.

GRAVEL AND SAND PITS BULGARIA EAD
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5. Expenses and revenues

5.1 Administrative expenses

	<u>2013</u>	<u>2012</u>
	€000	€000
Consultancy fees	(10)	(23)
Contract labour	(12)	(21)
Depreciation (Note 7)	(19)	(18)
Local taxes	(10)	(8)
Membership fees	(5)	(5)
Other professional services	(30)	(17)
	<u>(86)</u>	<u>(92)</u>

5.2 Expenses by nature

	<u>2013</u>	<u>2012</u>
	€000	€000
Hired services	(121)	(93)
Depreciation (Note 7)	(19)	(18)
	<u>(140)</u>	<u>(111)</u>

5.3 Finance income

	<u>2013</u>	<u>2012</u>
	€000	€000
Loans owed from related parties (Note 12)	23	30
Dividends received from associates (Note 8.2)	-	34
	<u>23</u>	<u>64</u>

6. Income tax

The major components of income tax expense for the year ended 31 December 2013 and 2012 are:

	<u>2013</u>	<u>2012</u>
	€000	€000
Deferred income tax income	1	1
Income tax income reported in profit or loss	<u>1</u>	<u>1</u>

In 2013 the nominal statutory tax rate is 10% (2012: 10%). For 2014 the nominal statutory tax rate is 10%.

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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 2013 and 2012 is as follows:

	2013	2012
	€000	€000
Accounting loss before income tax	(117)	(47)
Income tax income at statutory tax rate of 10% for 2013 (2012: 10%)	12	5
Revenue not subject to tax	-	3
Tax losses for which no deferred tax asset was recognised	(11)	(7)
Income tax income	1	1

Deferred income tax at 31 December relates to the following:

	Balance Sheet		Profit or loss	
	31 December 2013	31 December 2012	2013	2012
	€000	€000	€000	€000
<i>Deferred tax asset</i>				
Property, plant and equipment	6	5	1	1
	6	5		
Deferred tax income			1	1
Deferred tax asset	6	5		

The Company has incurred tax losses as follows:

Tax period	Period of availability for tax relief	2013	2012
		€000	€000
2013	2014 through 2018	106	-
2012	2013 through 2017	72	72
2011	2012 through 2016	109	109
2010	2011 through 2015	21	21
2009	2010 through 2014	6	6
2008	2009 through 2013	-	60
Total tax losses carried forward		314	268
Effective income tax rate		10%	10%
Deferred income tax asset not recognized		31	27

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 2013 and 2012.

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7. Property, plant and equipment

	Land	Plant and Machinery	Assets under Construction	Total
	€000	€000	€000	€000
Cost:				
At 1 January 2012	2,973	200	64	3,237
At 31 December 2012	2,973	200	64	3,237
At 31 December 2013	2,973	200	64	3,237
Depreciation:				
At 1 January 2012	-	71	-	71
Depreciation charge for the year	-	18	-	18
At 31 December 2012	-	89	-	89
Depreciation charge for the year	-	19	-	19
At 31 December 2013	-	108	-	108
Net book value:				
At 1 January 2012	2,973	129	64	3,166
At 31 December 2012	2,973	111	64	3,148
At 31 December 2013	2,973	92	64	3,129

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	
		2013	2012
Double V Co	Bulgaria	100%	100%

The investment in subsidiary is measured at cost as follows:

	2013	2012
	€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.

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8. Equity investments (continued)

8.2 Investments in associates

	Country of incorporation	% equity interest	
		2013	2012
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 2013 is nil (2012: nil).

For 2013 no dividends were received from associates. In 2012 the amount received from post-acquisition earnings of Holcim Karierni Materiali Plovdiv AD amounting to EUR 34 thousand was recognised as finance income in the statement of comprehensive income (Note 5.3).

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

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 cash equivalents

	2013	2012
	€000	€000
Cash at bank	1	13
	1	13

As of 31 December 2013, the fair value of cash is EUR 1 thousand (2012: EUR 13 thousand).

10. Issued capital and reserves

10.1 Issued capital

	2013	2012
	€000	€000
Ordinary shares of EUR 0.51 each, as per court registration	69	69
	69	69

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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 2012	135	69
At 31 December 2012	135	69
At 31 December 2013	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 2013 legal reserves amount to EUR 7 thousand (2012: EUR 7 thousand).

11. Other payables

	2013 €000	2012 €000
Payables for concession fees	19	-
	19	-

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 EOOD, with interest of 48.77% through its associate Holcim Karierni Materiali Sofia AD.

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 2013, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2012: 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 2013.

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 2013, 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 summarized 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.

	<u>Increase/ decrease in basis points</u>	<u>Effect on loss before tax</u>
		€000
2013		
Loans in BGN	+200	15
Loans in BGN	-100	(8)
2012		
Loans in BGN	+200	17
Loans in BGN	-100	(8)

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 2013 based on contractual undiscounted payments.

As of 31 December 2013

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
	€000	€000	€000	€000	€000	€000
Other payables	-	19	-	-	-	19
	-	<u>19</u>	-	-	-	<u>19</u>

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 maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to the 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 2013 and 31 December 2012.

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14. Financial risk management objectives and policies (continued)

Capital management (continued)

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

	<u>2013</u>	<u>2012</u>
	€000	€000
EBITDA	<u>(121)</u>	<u>(93)</u>

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

15. Fair value of financial instruments

Fair values

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

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 significant events have been identified after the reporting period date that may influence the separate financial statements.