

**ZLATNA PANEGA CEMENT AD  
FINANCIAL STATEMENTS  
31 DECEMBER 2005**

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**ZLATNA PANEGA CEMENT AD  
DIRECTORS' REPORT  
31 DECEMBER 2005**

The Directors present the report and the financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2005. These financial statements have been audited by PricewaterhouseCoopers Audit OOD

**GENERAL INFORMATION AND BUSINESS DESCRIPTION**

The Company is registered in the Republic of Bulgaria. The principal activity of the company includes the production and sales of cement.

**BUSINESS DESCRIPTION**

**Current year results**

The outcome of the current year activities is to be stated as positive since the net profit of the company amounts to EUR 14,260 thousand while the budgeted net profit was set to approximate EUR 10,974 thousand. The company generated the above-mentioned level of net profits due to the fact that its current period sales are 20% higher than the budgeted amount.

**Dividends and distribution of profits**

At the annual general meeting of the shareholders held in April 2005 a decision for the distribution of the retained earnings was taken – part of it to cover uncovered prior year losses and part to be transferred to the legal reserves.

The annual general meeting of the shareholders, organised in relation with the distribution of 2005 net profits, is scheduled for April 2006.

**Share capital structure**

<b>Shareholders</b>	<b>Percentage</b>	<b>Number of shares (thousands)</b>	<b>Nominal value (thousands)</b>
REA Cement Ltd. - Cyprus	99.99%	32,169,338	16,448
Individuals	0.01%	3,689	2

As at 31 December 2005 Zlatna Panega Cement AD holds interests in the following subsidiaries and associates:

Zlatna Panega Beton EOOD;  
Quarry for Gravel and Sand AD;  
Granitoid AD.

**OBJECTIVES OF THE COMPANY FOR 2006**

The Directors set to achieve the following objectives for 2006:

- annual sales of cement to reach 1,020 thousand tons;
- increase of the annual profit.

**ZLATNA PANEGA CEMENT AD  
DIRECTORS' REPORT  
31 DECEMBER 2005**

**OBJECTIVES OF THE COMPANY FOR 2006 (CONTINUED)**

We look optimistically at the future of Zlatna Panega Cement AD and believe that if management exercise proper control over the business this will lead to quality improvement and stability of the company.

**CORPORATE GOVERNANCE**

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

As at 31 December 2005 the Council of Directors consists of:

1. Alexandar Nakov Chakmakov;
2. Mihalis Cigalis
3. Christos Panagopulous
4. Prokopios Agamemnon Belezinis
5. Ianis Georgakakis

Alexandar Nakov Chakmakov is the company's executive director.

**Director's 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 cashflows for the year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2005.

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.

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Alexandar Chakmakov  
Executive director  
Zlatna Panega Cement AD  
Zlatna Panega  
24 January 2006

## REPORT OF THE AUDITORS

### To the Shareholders of Zlatna Panega Cement AD


We have audited the accompanying separate balance sheet of Zlatna Panega Cement AD as a stand-alone entity (the Company) as of 31 December 2005 and the related statements of income and cash flows and changes in shareholders' equity for the year then ended. These financial statements set out on pages 7 to 36 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.


In our opinion, the accompanying financial statements present fairly in all material respects the financial position of the Company as of 31 December 2005 and the results of its operations and cash flows and for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

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In addition, in our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2005, and of the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board.

  
Stefan Nenov  
Certified auditor  
24 January 2006  
Sofia



  
Jean Pierre Vigroux  
PricewaterhouseCoopers Audit OOD

**ZLATNA PANEGA CEMENT AD**  
**BALANCE SHEET**  
**31 DECEMBER 2005**

(all amounts in EUR thousands)

	Notes	As at 31 December	
		2005	2004 restated
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	30,800	22,057
Intangible assets	3	129	164
Investments in subsidiaries	4	3,589	3,589
Investments securities available for sale	4	21	21
Other non-current assets	5	33	28
		<b>34,572</b>	<b>25,859</b>
<b>Current assets</b>			
Inventories	6	6,538	2,834
Trade receivables	7	3,557	3,902
Prepayments and other receivables	8	2,339	490
Cash and cash equivalents	9	5,576	2,662
		<b>18,010</b>	<b>9,888</b>
<b>Total assets</b>		<b>52,582</b>	<b>35,747</b>
<b>Capital and reserves</b>			
Share capital	10	16,450	16,450
Effect of hyperinflation of the share capital	11	12,152	12,152
Legal reserve	11	1,251	321
Retained earnings	11	15,517	2,144
		<b>45,370</b>	<b>31,067</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	12	1,314	1,384
Retirement benefit obligations	13	181	150
Provisions for other liabilities and charges	14	561	553
		<b>2,056</b>	<b>2,087</b>
<b>Current liabilities</b>			
Trade and other payables	15	3,953	2,179
Corporate income tax payable		1,203	414
		<b>5,156</b>	<b>2,593</b>
<b>Total liabilities</b>		<b>7,212</b>	<b>4,680</b>
<b>Total equity and liabilities</b>		<b>52,582</b>	<b>35,747</b>

The Board of Directors has approved these financial statements set on pages 7-37 on 24 January 2006.  
The financial statements are signed on behalf of the Board of Directors by:

Alexander Chakmakov  
Executive Director  
23 January 2006

The accounting policies and notes on pages 11 to 37 form an integral part of these financial statements.



**ZLATNA PANEGA CEMENT AD**  
**INCOME STATEMENT**  
**31 DECEMBER 2005**

(all amounts in EUR thousands)	Notes	Year ended 31 December	
		2005	2004 restated
Sales	16	59,429	37,930
Cost of sales	17	(40,246)	(23,791)
<b>Gross profit</b>		<b>19,183</b>	<b>14,139</b>
Selling and marketing cost	18	(218)	(346)
Administrative expenses	19	(2,705)	(2,129)
Other income	21	722	444
Other expenses	22	(1,074)	(749)
<b>Operating profit</b>		<b>15,908</b>	<b>11,359</b>
Finance cost- net	23	11	(228)
<b>Profit before tax</b>		<b>15,919</b>	<b>11,131</b>
Income tax	24	(1,616)	(1,504)
<b>Profit for the year</b>		<b>14,303</b>	<b>9,627</b>

Alexander Chakmakov  
 Executive Director  
 23 January 2006



The accounting policies and notes on pages 11 to 37 form an integral part of these financial statements.



ZLATNA PANEGA CEMENT AD  
STATEMENT OF CHANGES IN EQUITY  
31 DECEMBER 2005

(all amounts in EUR thousands)	Share Capital	Effect of hyperinflation of share capital	Legal reserve	Other reserves	Total
<b>Balance at 1 January 2004</b>	16,450	12,152	321	(7,483)	21,440
Profit for the year	-	-	-	9,301	9,301
Restatement of government grant	-	-	-	326	326
<b>Balance at 31 December 2004 restated</b>	<b>16,450</b>	<b>12,152</b>	<b>321</b>	<b>2,144</b>	<b>31,067</b>
<b>Balance at 1 January 2005</b>	16,450	12,152	321	2,144	31,067
Transfer between reserves	-	-	930	(930)	-
Profit for the year	-	-	-	14,303	14,303
<b>Balance at 31 December 2005</b>	<b>16,450</b>	<b>12,152</b>	<b>1,251</b>	<b>15,517</b>	<b>45,370</b>

Alexander Chakmakov  
Executive Director  
23 January 2006



**ZLATNA PANEGA CEMENT AD**  
**CASH FLOW STATEMENT**  
**31 DECEMBER 2005**

(all amounts in EUR thousands)

	Notes	Year ended 31 December	
		2005	2004
<b>Cash flows from operating activities</b>			
Cash generated from operations	25	14,871	11,590
Interest received		67	31
Interest paid		(63)	(288)
Tax paid		(896)	(351)
<b>Net cash generated from operating activities</b>		<b>13,979</b>	<b>10,982</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(11,065)	(1,882)
<b>Net cash used in the investing activities</b>		<b>(11,065)</b>	<b>(1,882)</b>
<b>Cash flows from financing activities</b>			
Loans repaid		-	(8,131)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(8,131)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,914</b>	<b>969</b>
Cash and cash equivalents at beginning of the year		2,662	1,693
<b>Cash and cash equivalents at the end of the year</b>		<b>5,576</b>	<b>2,662</b>

Alexander Chakmakov  
 Executive Director  
 23 January 2006



The accounting policies and notes on pages 11 to 37 form an integral part of these financial statements.

**ZLATNA PANEGA CEMENT AD**  
**ACCOUNTING POLICIES**  
**31 DECEMBER 2005**

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

**1 Basis of preparation**

- (a) The financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. These financial statements comply also with the International Financial Reporting Standards as issued by International Accounting Standards Board. The financial statements have been prepared under the historical cost convention.

The preparation of these separate financial statements of the Company is required by the need of the ultimate parent company for consolidation. The Company also prepares consolidated financial statements as required by IAS 27 “Consolidated Financial Statements and Accounting for Investments in Subsidiaries” as at and for the year ended 31 December 2005.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 17 in Accounting Policies

*Revisions to published and new standards effective in 2005*

The following revisions to standards are mandatory for the Company’s accounting periods beginning on or after 1 January 2005:

- IAS 1 (revised 2003) Presentation of Financial Statements
- IAS 2 (revised 2003) Inventories
- IAS 8 (revised 2003) Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 10 (revised 2003) Events after the Balance Sheet Date
- IAS 16 (revised 2003) Property, Plant and Equipment
- IAS 17 (revised 2003) Leases
- IAS 21 (revised 2003) The Effects of Changes in Foreign Exchange Rates
- IAS 24 (revised 2003) Related Party Disclosures
- IAS 27 (revised 2003) Consolidated and Separate Financial Statements
- IAS 28 (revised 2003) Investment in Associates
- IAS 32 (revised 2003) Financial Instruments: Disclosure and Presentation
- IAS 33 (revised 2003) Earnings per Share
- IAS 39 (revised 2003) Financial Instruments: Recognition and Measurement
- IFRS 1 (revised 2004) First- time Adoption of International Financial Reporting Standards
- IFRS 2 (issued 2004) Share-Based Payments
- IFRS 3(issued 2004) Business Combinations

**ZLATNA PANEGA CEMENT AD**  
**ACCOUNTING POLICIES**  
**31 DECEMBER 2005**

**1 Basis of preparation (continued)**

- IFRS 4 (issued 2004) Insurance Contracts
- IAS 36 (revised 2004) Impairment of Assets
- IAS 38 (revised 2004) Intangible Assets
- IFRS 5 (issued 2005) Non-current Assets Held for Sale and Discontinued Operations

Management assessed the relevance of these amendments and interpretations with respect to the Company's operations and concluded that they are not relevant to the Company.

*Standards, interpretations and amendments to published standards that are not yet effective*

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 January 2006 or later periods but which the Company has not early adopted, as follows:

- **IAS 19 (Amendment), Employee Benefits** (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Company will apply this amendment from annual periods beginning 1 January 2006.
- **IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards** and **IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources** (effective from 1 January 2006) These amendments are not relevant to the Company's operations, as the Company is not a first-time adopter and does not carry out exploration for and evaluation of mineral resources.
- **IFRIC 4, Determining whether an Arrangement contains a Lease** (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC 4 on the Company's operations. This amendment is not relevant to the Company's operations, as the Company does not have any arrangements that contain lease

**ZLATNA PANEGA CEMENT AD**  
**ACCOUNTING POLICIES**  
**31 DECEMBER 2005**

**1 Basis of preparation (continued)**

- **IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds** (effective from 1 January 2006). IFRIC 5 is not relevant to the Company's operations.
- **IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment** (effective from 1 December 2005). IFRIC 6 is not relevant to the Company's operations.

**(b) Going concern**

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

**2 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates.

The Company uses Bulgarian Leva (BGN) as its functional currency.

In view of the international nature of the Company's operations, the amounts shown in these financial statements are presented in EURO thousands. The local statutory regulations, require the Company to maintain its statutory accounting records in BGN and this is adhered to.

The presentation currency used in these financial statements is EUR and all amounts are stated in thousands of EUR.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of all assets and liabilities denominated in foreign currencies are recognised in the income statement.

All assets and liabilities items have been converted to EUR at the Bulgarian National Bank exchange rate as of the year-end. The exchange rate as of 31 December 2005 was EUR 1 = BGN 1.95583 (31 December 2004 EUR 1 = BGN 1.95583). BGN is pegged to the EUR at exchange rate 1.95583 as from 1 January 2002 (BGN was pegged to the DEM as from 1 July 1997).

**ZLATNA PANEGA CEMENT AD**  
**ACCOUNTING POLICIES**  
**31 DECEMBER 2005**

**3 Property, plant and equipment**

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

External independent valuers have subsequently revalued land and buildings, plant and machinery, computers and vehicles in 2003 and this one-off revaluation is accepted as deemed cost.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated on the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10 – 25 years
Plant, machinery and computers	4.92 - 25 years
Vehicles	5 – 25 years
Fixtures and fittings	10% - 50%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the income statement.

**4 Intangible assets**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives.

**ZLATNA PANEGA CEMENT AD**  
**ACCOUNTING POLICIES**  
**31 DECEMBER 2005**

**5 Investments**

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

*Subsidiaries*

Subsidiaries are carried out at fair value.

**6 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**7 Financial assets**

*Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Receivables are classified as 'trade receivables' and 'other receivables' in the balance sheet (Note 9 of the Accounting Policies).

**8 Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined by the weighted average method. The cost of production comprises the cost of raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.



**ZLATNA PANEGA CEMENT AD**  
**ACCOUNTING POLICIES**  
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**9 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Bad debts are written off during the year in which they are identified. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within "selling and marketing costs".

**10 Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**11 Deferred income tax**

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

**12 Provisions**

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

**ZLATNA PANEGA CEMENT AD**  
**ACCOUNTING POLICIES**  
**31 DECEMBER 2005**

**12 Provisions (continued)**

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**13 Employee benefits**

The long-term payables to employees comprise of present value of Company's liability for pension compensation as at 31 December 2005 if employees retire, determined by periodic actuarial calculations.

In accordance with the Labour Code the employer is obliged to pay the employees at retirement age an indemnity, which varies between six and twelve gross monthly wages at the time of the termination of the labour contract depending on the length of service in the Company. As at 31 December 2005 the Company has used the services of an independent certified valuer who performed the annual actuarial valuation of these liabilities and on the basis of their present value an expense was recognised in the income statement and a long-term liability to employees in the balance sheet as that date.

**14 Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**15 Revenue recognition**

Revenue is measured by the fair value of the consideration received or receivable for the sale of goods and services net of value-added tax, rebates and discounts. Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**16 Financial risk management**

**(a) Financial risk factors**

The Company's activities expose it to a variety of financial risks, including the effects of foreign currency exchange rates and interest rates. The Company's overall risk management programme seeks to minimise potential adverse effects on the Company's performance.

**ZLATNA PANEGA CEMENT AD**  
**ACCOUNTING POLICIES**  
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**16 Financial risk management (continued)**

**(a) Financial risk factors (continued)**

(i) Foreign exchange risk

The Company operates in Bulgaria and is currently exposed to foreign exchange risk arising from sales, purchases and borrowings in EURO and USD.

(ii) Interest rate risk

The Company has no significant interest bearing assets. The Company usually borrows at variable rates.

(iii) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

**17 Critical accounting estimates**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

*Income taxes*

The Company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

**ZLATNA PANEGA CEMENT AD**  
**ACCOUNTING POLICIES**  
**31 DECEMBER 2005**

**17 Critical accounting estimates (continued)**

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

**18 Government grants**

The Company has a tax relief relating to the purchase of property, plant and equipment, which is a reduced tax rate without any restrictions on the use of the assets and the working capital.

**19 Comparatives**

In 2004 as in previous years, the Company has benefited from a tax relief calculated as 30% of the corporate tax due as at the year end in accordance with the Law for Foreign Investments. Because there were conditions to be met (investments) this tax relief was treated as government grant on the face of the balance sheet. In July 2005, the Ministry of Finance has issued an instruction No.6 dated 15 July 2005 waiving the necessity of any conditions to be met for using this relief. In accordance with these new rules, the Company has restated the amount of tax relief for 2004 and accordingly has decreased the income tax expense for the period to be consistent with the treatment applied in 2004 of applying a reduced by 30% tax rate. The net effect of the restatement is an increase of the net profit for 2004 with EURO 326 thousand.

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2005**

**1 General Information**

Zlatna Panega Cement (“the Company”) is a limited liability company. The principal activity of the company is the production of cement. The plant is located near the village of Zlatna Panega. A nearby quarry is the main source of raw materials.

The Company is incorporated and domiciled in Zlatna Panega, Bulgaria with resolution of Lovech District Court 63/12.6.1989 and its fiscal year ends 31 December.

As at 31 December 2005 the Company is owned as follows:

- REA Cement.Limited, Cyprus 99.99 %
- Individuals and state of Bulgaria 0.01 %

Zlatna Panega Cement is a subsidiary of Rea Cement Ltd, incorporated and domiciled in Cyprus. The address of its registered office is as follows:

2-4 Arch. Makarios Avenue  
Capital Center  
9<sup>th</sup> floor  
CY- 1505 Nicosia  
Cyprus

Rea Cement Ltd is a subsidiary of Titan Cement S.A. (the ultimate parent company), incorporated and domiciled in Greece. The address of its registered office is as follows:

22A Halkidos Str.  
111 43 Athens Greece

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousand, unless otherwise stated)

**2 Property, plant and equipment**

	Land & buildings	Plant & machinery	Computers	Vehicles	Furniture & fittings	Assets under construction	Total
<b>At 1 January 2004</b>							
Cost or valuation	3,743	21,554	337	1,402	212	212	27,460
Accumulated depreciation	(471)	(4,018)	(170)	(433)	(93)	-	(5,185)
<b>Net book amount</b>	<b>3,272</b>	<b>17,536</b>	<b>167</b>	<b>969</b>	<b>119</b>	<b>212</b>	<b>22,275</b>
<b>Year ended 31 December 2004</b>							
Opening net book amount	3,272	17,536	167	969	119	212	22,275
Additions	-	350	89	344	50	1,173	2,006
Disposals	(24)	(129)	(6)	(2)	(2)	(26)	(189)
Transfers	-	28	-	-	184	(212)	-
Depreciation charge	(121)	(1,541)	(46)	(269)	(58)	-	(2,035)
<b>Closing net book amount</b>	<b>3,127</b>	<b>16,244</b>	<b>204</b>	<b>1,042</b>	<b>293</b>	<b>1,147</b>	<b>22,057</b>
<b>At 31 December 2004</b>							
Cost or valuation	3,707	21,750	409	1,735	442	1,147	<b>29,190</b>
Accumulated depreciation	(580)	(5,506)	(205)	(693)	(149)	-	<b>(7,133)</b>
<b>Net book amount</b>	<b>3,127</b>	<b>16,244</b>	<b>204</b>	<b>1,042</b>	<b>293</b>	<b>1,147</b>	<b>22,057</b>
<b>Year ended 31 December 2005</b>							
Opening net book amount	3,127	16,244	204	1,042	293	1,147	22,057
Additions	1,636	891	49	896	26	7,566	11,064
Disposals	(1)	(15)	-	(19)	(2)	-	(37)
Transfers	-	98	311	-	-	(409)	-
Depreciation charge	(158)	(1,615)	(60)	(388)	(63)	-	(2,284)
<b>Closing net book amount</b>	<b>4,604</b>	<b>15,603</b>	<b>504</b>	<b>1,531</b>	<b>254</b>	<b>8,304</b>	<b>30,800</b>
<b>At 31 December 2005</b>							
Cost or valuation	5,341	22,716	730	2,596	460	8,304	40,147
Accumulated depreciation	(737)	(7,113)	(226)	(1,065)	(206)	-	(9,347)
<b>Net book amount</b>	<b>4,604</b>	<b>15,603</b>	<b>504</b>	<b>1,531</b>	<b>254</b>	<b>8,304</b>	<b>30,800</b>

Depreciation expense of EUR 1,962 (2004: EUR 1,876) thousand has been charged in cost of goods sold, EUR 322 (2004: EUR 159) thousand in administrative expenses.

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousand, unless otherwise stated)

**3 Intangible assets**

	<b>Licence</b>	<b>Software</b>	<b>Total</b>
<b>At 1 January 2004</b>			
Cost or valuation	160	43	203
Accumulated amortisation	(43)	(21)	(64)
<b>Net book amount</b>	<b>117</b>	<b>22</b>	<b>139</b>
<b>Year ended 31 December 2004</b>			
Opening net book amount	117	22	139
Additions	133	1	134
Disposals	(71)	(1)	(72)
Amortisation charge	(28)	(9)	(37)
<b>Closing net book amount</b>	<b>151</b>	<b>13</b>	<b>164</b>
<b>At 31 December 2004</b>			
Cost or valuation	179	42	221
Accumulated amortisation	(28)	(29)	(57)
<b>Net book amount</b>	<b>151</b>	<b>13</b>	<b>164</b>
<b>Year ended 31 December 2005</b>			
Opening net book amount	151	13	164
Additions	2	-	2
Disposals	-	-	-
Amortisation charge	(30)	(7)	(37)
<b>Closing net book amount</b>	<b>123</b>	<b>6</b>	<b>129</b>
<b>At 31 December 2005</b>			
Cost or valuation	182	41	223
Accumulated amortisation	(59)	(35)	(94)
<b>Net book amount</b>	<b>123</b>	<b>6</b>	<b>129</b>

Amortisation expense of EUR 37 (2004: EUR 36) thousand has been charged in administrative expenses.



**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousand, unless otherwise stated)

**4 Investments**

**Investments securities available for sale**

The Company has 8% participation in Granitoid AD (the majority shareholder of which is REA Cement Limited) that is carried at cost that best approximates their fair value as at 31 December 2004 and 31 December 2005.

	<b>2005</b>	<b>2004</b>
Shares in Granitoid AD	21	21

**Investments in subsidiaries**

The Company is 100 % owner of Zlatna Panega Beton EOOD and 100% owner of Gravel and Sand. These investments are carried out at cost that best approximates their fair value as at 31 December 2004 and 31 December 2005.

	<b>2005</b>	<b>2004</b>
Shares in Zlatna Panega Beton EOOD	3,564	3,564
Shares in Gravel and Sand	25	25
	<u>3,589</u>	<u>3,589</u>

**5 Other non-current assets**

The Company is obliged under the terms of the concession agreement for the usage of the quarry constantly to have deposit equal to 10% of the average three-month excavation production until the end of the concession period. As at 31 December 2005 the amount blocked for this purpose is about EURO 33 thousand (2004: EUR 28 thousand).

**6 Inventories**

	<b>2005</b>	<b>2004</b>
Spare parts	3,721	1,093
Raw materials	1,370	851
Finished goods	1,037	739
Work in progress	261	73
Packaging materials	174	110
Impairment of finished goods	(25)	(32)
	<u>6,538</u>	<u>2,834</u>

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousand, unless otherwise stated)

<b>7</b>	<b>Trade receivables</b>		
		<b>2005</b>	<b>2004</b>
	Trade receivables	3,867	4,727
	Less: Provision for impairment of receivables	(310)	(825)
	<b>Trade receivables – net</b>	<b>3,557</b>	<b>3,902</b>
<b>8</b>	<b>Prepayments and other receivables</b>		
		<b>2005</b>	<b>2004</b>
	Prepayment	1,384	-
	Receivables from related parties (Note 28)	727	346
	Taxes recoverable	114	3
	Deposits	18	33
	Deferred expenses	52	52
	Other receivables	44	56
		<b>2,339</b>	<b>490</b>
<b>9</b>	<b>Cash and cash equivalents</b>		
		<b>2005</b>	<b>2004</b>
	Cash in hand	15	14
	Cash at bank	5,561	2,648
		<b>5,576</b>	<b>2,662</b>
<b>10</b>	<b>Share capital</b>		
		<b>Number of Shares (thousands)</b>	<b>EUR thousands as per the court registration</b>
	At 31 Dec 2004	32,173	16,450
	<b>At 31 Dec 2005</b>	<b>32,173</b>	<b>16,450</b>

The total authorized number of ordinary shares as per court registration as at 31 December 2005 is 32,173 thousand with a par value of BGN 1.00 (EUR 0.51). All issued shares are fully paid.

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousand, unless otherwise stated)

**10 Share capital (continued)**

In the period 1990-1997 the Bulgarian economy has experienced hyperinflation. According to IAS 29 Financial Reporting in Hyperinflationary Economies in such circumstances the Company has to hyper-inflate the amounts in its financial statements and to use them as a basis for the carrying amounts in its subsequent financial statements. The amount of EURO 12,152 thousand represents the effect of hyperinflation of the share capital from its nominal and legally registered value of EURO 16,450 thousand to EURO 28,602 thousand. The hyperinflation is performed using the movement in the exchange rate between Bulgarian Lev and German Mark (DEM) as the most representative and reasonable measure of inflation in that period.

**11 Reserves**

	<b>Hyperinflated reseve</b>	<b>Legal reserves</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance at 1 January 2004</b>	<b>12,152</b>	<b>321</b>	<b>(7,483)</b>	<b>4,990</b>
Profit for the period	-	-	9,301	<b>9,301</b>
Restatement of government grant	-	-	326	<b>326</b>
<b>Balance at 31 December 2004</b>	<b>12,152</b>	<b>321</b>	<b>2,144</b>	<b>14,617</b>
Balance at 1 January 2005	12,152	321	2,144	14,617
Movement in reserves	-	930	(930)	-
Profit for the period	-	-	14,303	14,303
<b>Balance at 31 December 2005</b>	<b>12,152</b>	<b>1,251</b>	<b>15,517</b>	<b>28,920</b>

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousand, unless otherwise stated)

**12 Deferred income tax**

The movement on the deferred income tax account is as follows:

	<b>2005</b>	<b>2004</b>
Beginning of the year	1,384	641
Income statement charge (Note 24)	(70)	743
<b>End of the year</b>	<b>1,314</b>	<b>1,384</b>

	<b>Accelerated tax depreciation</b>	<b>Total</b>
<b>Deferred tax liability:</b>		
<b>At 1 January 2004</b>	1,733	1,733
Charge to the income statement	(261)	(261)
<b>At 31 December 2004</b>	<b>1,472</b>	<b>1,472</b>
Charge to the income statement	(81)	(81)
<b>At 31 December 2005</b>	<b>1,391</b>	<b>1,391</b>

<b>Deferred tax assets:</b>	<b>At 1 January 2004</b>	<b>Charge to the income statement</b>	<b>At 31 December 2004</b>	<b>Charge to the income statement</b>	<b>At 31 December 2005</b>
Retirement benefit provisions	(19)	(1)	(20)	(5)	(25)
Unused paid leave	(35)	15	(20)	2	(18)
Provision for employees' bonuses	(121)	121	-	-	-
Provision for restoration of the quarry	(2)	(1)	(3)	(1)	(4)
Impairment of investments	(35)	35	-	-	-
Impairment of inventory	-	-	-	(8)	(8)
Tax losses	(853)	853	-	-	-
Impairment of receivables	(28)	(17)	(45)	23	22
	<b>(1,093)</b>	<b>1,005</b>	<b>(88)</b>	<b>11</b>	<b>(77)</b>

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousand, unless otherwise stated)

**13 Retirement benefit obligations**

	<b>2005</b>	<b>2004</b>
Balance sheet obligations for Pension benefits	181	150

	<b>2005</b>	<b>2004</b>
Income statement charge for: Pension benefits	(31)	(52)
	<b>(31)</b>	<b>(52)</b>

**Pension benefits**

The amounts recognised in the balance sheet are determined as follows:

	<b>2005</b>	<b>2004</b>
Discount rate	7%	9%
Future salary increases	6%	4%

	<b>2005</b>	<b>2004</b>
Present value of unfunded obligations	295	299
Unrecognised actuarial gain	(10)	(24)
Unrecognised past service cost	(104)	(125)

<b>Liability in the balance sheet</b>	<b>181</b>	<b>150</b>
---------------------------------------	------------	------------

	<b>2005</b>	<b>2004</b>
Current service cost	24	35
Interest cost	20	9
Net actuarial losses recognised during the year	1	-
Past service cost	20	25
<b>Total included in staff costs</b>	<b>65</b>	<b>69</b>

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousand, unless otherwise stated)

**13 Retirement benefit obligations (continued)**

The movement in the liability recognised in the balance sheet is as follows:

	<b>2005</b>	<b>2004</b>
Beginning of the year	150	98
Total expense charged to the income statement	65	69
Contributions paid	(34)	(17)
<b>End of the year</b>	<b>181</b>	<b>150</b>

**14 Provisions for other liabilities and charges**

The provision included in the financial statements is for restoration of the quarry. The amount at each balance sheet date is based on the best estimate for the expenses that will be incurred when the excavation from the quarry is ceased and the movement reflects the additional amount that would be needed to restore the surface of the quarry that has been excavated during the period. The provision has not been discounted as the management is unaware for how many more years the quarry would be used and it is believed that the current values present are the best estimate available for the time being.

	<b>2005</b>	<b>2004</b>
Quarry provision	561	553

**15 Trade and other payables**

	<b>2005</b>	<b>2004</b>
Trade payables	2,605	1,218
Related party payables (Note 27)	782	287
Unused paid leave	146	154
Social security	127	133
Customer prepayments	57	-
Other taxes	40	29
Payroll taxes	31	33
Insurance premium payable	19	20
VAT payable	-	115
Other payables	146	190
	<b>3,953</b>	<b>2,179</b>

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousands, unless otherwise stated)

**16 Sales**

Sales for the two months consist of sales in Bulgaria.

	<b>2005</b>	<b>2004</b>
Cement sales	50,941	33,518
Sale of transport services	8,488	4,404
Semi – finished goods	-	8
	<hr/>	<hr/>
	<b>59,429</b>	<b>37,930</b>
	<hr/>	<hr/>

**17 Cost of sales**

	<b>2005</b>	<b>2004</b>
Variable costs:		
Clinker purchased	(8,927)	(1,366)
Distribution expenses – freight	(8,768)	(4,687)
Kiln fuel	(4,425)	(3,167)
Raw materials	(3,156)	(1,763)
Electricity	(2,920)	(2,336)
Fuel & oil	(512)	(305)
Refractory	(389)	(125)
Explosives	(272)	(142)
Grinding media	(241)	(37)
Tyres	(44)	(44)
Other items of variable cost	(41)	(34)
Fixed costs:		
Plant salaries & wages and related expenses	(2,514)	(2,260)
Depreciation charges	(1,962)	(1,877)
Repair & Maintenance – spare parts	(1,900)	(1,335)
Contract Labour	(1,753)	(1,369)
Packing expenses	(1,625)	(1,610)
Lining	(542)	(5)
Insurance & Taxes	(59)	(126)
Inventory change	601	(395)
Other fixed cost	(797)	(808)
	<hr/>	<hr/>
	<b>(40,246)</b>	<b>(23,791)</b>
	<hr/>	<hr/>



**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousands, unless otherwise stated)

**18 Selling and marketing costs**

	<b>2005</b>	<b>2004</b>
Salaries and related expenses	(172)	(142)
Contract labour	(45)	(10)
Advertisement and promotion	(38)	(51)
Bad debt charge	(29)	(276)
Travel - entertainment	(19)	(19)
Utilities	(17)	(7)
Insurance & taxes	(6)	(5)
Reintegrated doubtful debt provision	211	234
Other Expenses	(103)	(70)
	<b>(218)</b>	<b>(346)</b>

**19 Administrative expenses**

	<b>2005</b>	<b>2004</b>
Salaries and related expenses	(987)	(941)
Depreciation charge	(359)	(195)
Insurance & taxes	(243)	(137)
Consultancy fees	(106)	(47)
Travel - entertainment	(104)	(79)
Repairs & Maintenance	(78)	(53)
Audit fees	(64)	(95)
Other Expenses	(764)	(582)
	<b>(2,705)</b>	<b>(2,129)</b>

**20 Expenses by nature**

	<b>2005</b>	<b>2004</b>
Materials	(25,641)	(12,338)
Hired services	(12,780)	(7,756)
Depreciation	(2,284)	(2,036)
Salaries and related expenses	(2,580)	(2,336)
Social security	(800)	(803)
Amortisation	(37)	(36)
Change in work in progress	279	(651)
Other	(400)	(1,059)
Total cost of goods sold, selling and marketing costs, and administrative expenses	<b>(44,243)</b>	<b>(27,015)</b>

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousands, unless otherwise stated)

**21 Other operating income**

	<b>2005</b>	<b>2004</b>
Income from the sales of scrap and materials	400	199
Income of packing fee	163	-
Services	66	-
Sales of goods in the rest house	40	66
Other	53	179
	<hr/> <b>722</b>	<hr/> <b>444</b>

**22 Other operating expenses**

	<b>2005</b>	<b>2004</b>
Cost of good, materials and scrap sold	(306)	(119)
Expenses for demolition	(289)	-
Cost of bars, canteen and rest house	(100)	(117)
Expenses for liquidation of fixed assets	(75)	(284)
Other provisions (staff leaving)	(65)	(100)
Restoration	(8)	(9)
Other expenses	(231)	(120)
	<hr/> <b>(1,074)</b>	<hr/> <b>(749)</b>

**23 Finance costs- net**

	<b>2005</b>	<b>2004</b>
Interest income	74	31
Interest expense and bank charges	(61)	(289)
Exchange gains	(2)	30
	<hr/> <b>11</b>	<hr/> <b>(228)</b>

**Name of the Company**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 1999**

**24 Tax**

	<b>2005</b>	<b>2004 restated</b>
Current profit tax	1,686	1,086
Deferred tax (Note 12)	(70)	743
Effect of restatement of government grant	-	(326)
	<b>1,616</b>	<b>1,503</b>

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate of the Company as follows:

	<b>2005</b>	<b>2004 Restated</b>
Profit before tax	15,919	11,131
Tax calculated at a tax rate of 15 % (2004: 19.5%)	2,388	2,170
Expenses not deductible for tax purposes	35	49
Revenue not subject to tax	(45)	(10)
Tax relief (30% of the nominal tax rate)	(722)	(326)
Effect of deferred tax recognised	(40)	-
Effect of changes in tax rate	-	(380)
	<b>1,616</b>	<b>1,503</b>

As from 1998 the Company has benefited from a 10-year corporate income tax incentive for implementing a so-called "Priority Investment Project". The incentive is based on Art. 20 of the Foreign Investment Act, later repealed. According to this incentive Zlatna Panega AD was exempt from 50% of its corporate income tax for a period of 10 years starting in year 1998 and expiring in year 2007 inclusive. The Company effectively has utilised the incentive only in year 1998 and 2002 as it was generating a loss in the years 1999 through 2001. Effective 1 January 2003 companies, utilising the tax incentive under the above referred to Article of the Foreign Investment Act, are entitled to 30 % tax relief of their corporate income tax liability.

In October 2005 the Company has been last audited for compliance with the following tax laws:

Corporate Income tax Law – last period audited: 01.01.02-31.12.04;

VAT Law – last period audited: 01.10.02-31.12.04;

Personal Income Tax - last period audited: 01.01.02 – 31.12.04;

Social Security Contributions - last period audited: 01.07.02 – 31.08.05;

Local taxes and fees - last period audited: 01.01.02 – 31.12.04.

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousands, unless otherwise stated)

**24 Tax (continued)**

The tax authorities could check the financial reports and records for the five successive tax years of the current tax period and impose additional penalties. The management of the Company is not aware of any circumstances that could lead to substantial obligations in this area.

**25 Cash generated from operations**

Reconciliation of profit for the period to cash generated from operations:

	<b>2005</b>	<b>2004</b>
Profit for the period	14,303	9,627
Adjustments for:		
Tax (Note 24)	1,616	1,503
Depreciation (Note 2, 3)	2,321	2,072
Loss on sale of property, plant and equipment	33	-
Net finance costs (Note 23)	(11)	257
Changes in working capital:		
– inventories	(3,704)	(835)
– trade and other receivables	(1,500)	(647)
– payables	1,774	(447)
– movement in provisions	39	60
<b>Cash generated from operations</b>	<b>14,871</b>	<b>11,590</b>

**26 Commitments**

Capital commitments	11,302	3,351
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Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	<b>2005</b>	<b>2004</b>
Cement mill No 8	7,204	3,315
Clinker Silo	485	-
Packing plant	164	-
Palletizing Plant	360	-
Raw Mill & Kiln Line No 5	3,089	-
Upgrade of Electrostatic Precipitator	-	36
	<b>11,302</b>	<b>3,351</b>

**27 Borrowings**

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
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(all amounts to the financial statements are in EUR thousands, unless otherwise stated)

As at 31.12.2005 the company has opened a Letter of Credit amounting to EUR 170 thousand in favour of Nashice Cement funded through an overdraft opened with the Bulgarian Post Bank. The amount of the overdraft facility limit is EUR 500 thousand as at 31.12.2005. The interest rate agreed with the bank is 3 months SOFIBOR plus 2 %.

As at 31.12.2005 the company has an unutilised credit line facility of EUR 5,036 thousand opened with Alfa Bank, Sofia. The agreed interest rate is basic interest rate plus 2.5%.

**28 Related party transactions**

The Company is controlled by REA Cement Limited, Cyprus, holding 99.99% of the Company's shares. The remaining 0.01% of the shares are held by individuals and the state of Bulgaria. The ultimate parent of the Company is Titan Cement Company SA (incorporated in Greece).

Period end balances arising from sales/purchases of goods/services:

**i) Sale of goods and services**

	<b>2005</b>	<b>2004</b>
To Zlatna Panega Beton EOOD:		
Cement	3,205	3,483
Sand and gravel	10	-
Services	-	12
Interest income	4	7
	<hr/> <b>3,219</b>	<hr/> <b>3,502</b>

To Cementarnica USJE – Skopje:	6	-
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**ii) Purchases of services**

	<b>31 December 2005</b>	<b>31 December 2004</b>
Granitoid AD	137	135
Zlatna Panega Beton	-	10
Stroycem OOD	6	-
	<hr/> <b>143</b>	<hr/> <b>145</b>

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousands, unless otherwise stated)

**28 Related party transactions (continued)**

**iii) Purchases of goods and spare parts**

	<b>31 December 2005</b>	<b>31 December 2004</b>
Zlatna Panega Beton EOOD	41	-
Granitoid AD	50	-
Cementarnica USJE – Skopje:	5,361	-
Koserice	846	-
Titan Cement Greece	1	-
	<hr/> <b>6,299</b>	<hr/> -

**iv) Purchases of fixed assets**

	<b>2005</b>	<b>2004</b>
Granitoid AD	3,050	-
	<hr/> <b>3,050</b>	<hr/> -

**v) Loans**

The Company has provided a loan to Zlatna Panega Beton EOOD for investment purposes, which has been repaid as at 31 December 2005. The total amount of the loan was EUR 547 thousand

**vi) Key management compensation**

	<b>2005</b>	<b>2004</b>
Gross salaries and social benefits	393	991
Social securities payable by the employer	29	73
	<hr/> <b>422</b>	<hr/> <b>1,064</b>

**vii) Receivables from related parties**

	<b>2005</b>	<b>2004</b>
Zlatna Panega Beton EOOD	678	346
Cementarnica USJE – Skopje	6	-
Gravel and Sand	43	-
	<hr/> <b>727</b>	<hr/> <b>346</b>

**ZLATNA PANEGA CEMENT AD**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**31 DECEMBER 2005**

(all amounts to the financial statements are in EUR thousands, unless otherwise stated)

**28 Related party transactions (continued)**

**viii) Payables to related parties**

	<b>2005</b>	<b>2004</b>
Cementarnica USJE – Skopje	561	232
Granitoid AD	-	43
Zlatna Panega Beton EOOD	10	12
Koserice	211	-
	<hr/> <b>782</b>	<hr/> <b>287</b>

**29 Events after the balance sheet**

No significant events have been identified after the balance sheet date, that may influence the financial statements