

ZLATNA PANEGA BETON EOOD

FINANCIAL STATEMENTS

31 December 2006

ZLATNA PANEGA BETON EOOD

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ZLATNA PANEGA BETON EOOD

General Information

Directors

Emil Braychev – Executive Director
Biser Dosev - Procurator

Registered office

Sofia,
6, Poruchik Nedelcho Bonchev Str.

Solicitors

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

Bankers

Raiffeisen Bank – Plovdiv
Citibank – Sofia
Societe General – Expressbank - Sofia

Auditors

Ernst & Young Audit OOD

ZLATNA PANEGA BETON EOOD
DIRECTORS' REPORT

For the year ended 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

DIRECTORS' REPORT

The Directors present their report and the financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) for the year ended 31 December 2006. These financial statements have been audited by Ernst & Young Audit OOD.

GENERAL INFORMATION AND BUSINESS DESCRIPTION

The Company is registered in Bulgaria. The principal activity of the company includes:

- Production, transport, sales and distribution of cement, lime, and cement modifications;
- Construction and operation of sites for production of concrete;
- Research and other activities related to production and distribution of concrete.

BUSINESS DESCRIPTION

Current year results

The principal activity of Zlatna Panega Beton EOOD in 2006 included:

- Keeping the market share of the Company in the sector under increasing competition. As a result of this the Company has sold 214,022 cubic meters of concrete.
- Successful management of the major activities related to delivery of concrete (production, transport and services with concrete pumps), in order to meet the needs of the market for quality and quantity of cement.
- Achieving positive financial results. The profit before tax for 2006 is EUR 672 thousand (2005: EUR 503 thousand).

Share capital structure

Shareholders	Percentage	Number of shares (thousands)	Nominal value (thousands)
Zlatna Panega Cement AD	100%	697	3,564

As at 31 December 2006 Zlatna Panega Beton EOOD had no subsidiaries and associates.

OBJECTIVES OF THE COMPANY FOR 2007

- Increase of sales to 256,000 cubic meters in Sofia, Plovdiv and Zlatna Panega and starting operations in Veliko Turnovo and Stara Zagora.
- Increase of the market share in Sofia and optimisation of the transport cost by construction of one new site for production of concrete.
- Optimisation of the organisational structure of the company in view of the expansion of the business.

ZLATNA PANEGA BETON EOOD

DIRECTOR'S REPORT

For the year ended 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

CORPORATE GOVERNANCE

The Company is a limited liability company and operates a one-tier system of corporate management in accordance with the commercial legislation in Bulgaria, effective as at 31 December 2006.

The management of the Company consists of:

Emil Braychev- Executive Director

Biser Dosev- Procurator

Directors' responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently and, reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2006.

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.

Emil Braychev
Executive Director
Zlatna Panega Beton EOOD
Sofia
31 January 2007

INDEPENDENT AUDITORS' REPORT TO THE SOLE OWNER OF ZLATNA PANEKA BETON EOOD

We have audited the accompanying financial statements of Zlatna Panega Beton EOOD ('the Company'), which comprise the balance sheet as of 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as endorsed by the European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

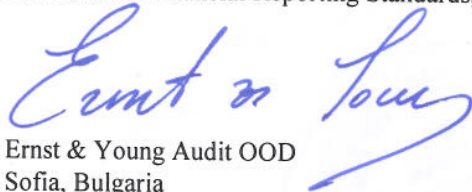
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as endorsed by the EU.



Ernst & Young Audit OOD
Sofia, Bulgaria

1 February 2007

ZLATNA PANEGA BETON EOOD
INCOME STATEMENT

For the year ended 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

	Notes	2006	2005
Sale of goods		8,249	6,919
Rendering of services		1,473	1,107
Revenue		9,722	8,026
Cost of sales	3.1	(8,651)	(7,107)
Gross profit		1,071	919
Other income	3.7	145	147
Selling and distribution costs	3.2	(113)	(100)
Administrative expenses	3.3	(367)	(355)
Other expenses	3.4	(45)	(100)
Operating profit		691	511
Finance revenue	3.8	1	3
Finance costs	3.9	(20)	(11)
Profit before tax		672	503
Income tax expense	4	(94)	(15)
Profit for the year		578	488

Emil Braychev
(Executive Director)

The accompanying notes to the financial statements on pages 6 to 33 form an integral part of these financial statements.

ZLATNA PANEGA BETON FOOD
BALANCE SHEET

As of 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

	Notes	2006	2005
ASSETS			
Non-current assets			
Property, plant and equipment	5	4,149	3,400
Intangible assets	6	9	11
		<u>4,158</u>	<u>3,411</u>
Current assets			
Inventories	7	102	100
Trade and other receivables	8	1,244	820
Receivables from related parties	13	24	10
Prepayments		135	36
Cash and cash equivalents	9	56	380
		<u>1,561</u>	<u>1,346</u>
TOTAL ASSETS		<u><u>5,719</u></u>	<u><u>4,757</u></u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	10	3,564	3,564
Retained earnings/(Accumulated loss)		319	(259)
Total equity		<u>3,883</u>	<u>3,305</u>
Non-current liabilities			
Employee benefit liability	11	22	19
Deferred tax liability	4	20	21
		<u>42</u>	<u>40</u>
Current liabilities			
Trade and other payables	12	257	375
Advances received		263	328
Payables to related parties	13	1,205	678
Income tax payable		69	31
		<u>1,794</u>	<u>1,412</u>
Total liabilities		<u>1,836</u>	<u>1,452</u>
TOTAL EQUITY AND LIABILITIES		<u><u>5,719</u></u>	<u><u>4,757</u></u>

Emil Braychev
(Executive Director)

The accompanying notes to the financial statements on pages 6 to 33 form an integral part of these financial statements.

ZLATNA PANEGA BETON EOOD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

	Issued capital (Note 10)	Retained earnings/ (Accumulated loss)	Total
At 1 January 2005	3,564	(747)	2,817
Profit for the year	-	488	488
At 31 December 2005	3,564	(259)	3,305
At 1 January 2006	3,564	(259)	3,305
Profit for the year	-	578	578
At 31 December 2006	3,564	319	3,883

Emil Braychev
(Executive Director)

The accompanying notes to the financial statements on pages 6 to 33 form an integral part of these financial statements.

ZLATNA PANEGA BETON FOOD
CASH FLOW STATEMENT

For the year ended 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

	<u>Notes</u>	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES			
Profit before tax		672	503
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	5	410	396
Amortisation of intangible assets	6	3	4
Loss on disposal of property, plant and equipment		1	-
Movement in doubtful debt allowance		5	47
Movement in employee benefit liability		3	3
Interest income	3.8	(1)	(3)
Interest expense	3.9	19	4
Working capital adjustments:			
(Increase) in inventories		(2)	(28)
(Increase)/ Decrease in trade and other receivables		(443)	271
(Increase) in prepayments		(99)	-
(Decrease)/ Increase in trade and other payables		(213)	621
Interest received		1	3
Interest paid		(19)	(4)
Income tax paid		(55)	-
Net cash flows from operating activities		282	1,817
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1)	(1,
Purchase of intangible assets		(1)	-
Net cash flows used in investing activities		(1)	(1,
FINANCING ACTIVITIES			
Proceeds from borrowings		986	547
Repayment of borrowings		(431)	(547)
Net cash flows from financing activities		555	-
Net (decrease)/ increase in cash and cash equivalents		(324)	54
Cash and cash equivalents at 1 January		380	326
Cash and cash equivalents at 31 December	9	56	380

Emil Braychev
(Executive Director)

The accompanying notes to the financial statements on pages 6 to 33 form an integral part of these financial statements.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

1. Corporate information

The financial statements of Zlatna Panega Beton EOOD (the Company) for the year ended 31 December 2006 were authorized for issue in accordance with a decision of the Executive Director on 31 January 2007.

Zlatna Panega Beton EOOD is a limited liability company. The Company is incorporated and domiciled in Sofia, Bulgaria with resolution of Sofia City Court 17438/17 December 1997 and its fiscal year ends 31 December.

The principal activities of the Company include the production and sale of concrete. The Company operates four concrete plants in Sofia and Plovdiv.

As of 31 December 2006 the sole owner of the Company is Zlatna Panega Cement AD, incorporated and domiciled in Zlatna Panega, Bulgaria.

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

2.1 Basis of preparation

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

Statement of compliance

The financial statements of Zlatna Panega Beton EOOD have been prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union (IFRS, as endorsed by the EU).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial statements of the Company. They did however give rise to additional disclosures.

- IFRS 6 Exploration for and Evaluation of Mineral Resources
- IAS 19 Amendment— Actuarial Gains and Losses, Group Plans and Disclosures
- IAS 21 Amendment—The Effects of Changes in Foreign Exchange Rates
- IAS 39 Amendments—Financial Instruments: Recognition and Measurement
- IFRIC 4 Determining Whether an Arrangement Contains a Lease
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participating in a Specific Market—Waste Electrical and Electronic Equipment

The principal effects of these changes are as follows:

IFRS 6 Exploration for and Evaluation of Mineral Resources

The Company adopted IFRS 6 as of 1 January 2006, which provides guidance for accounting for expenditures incurred in the exploration and evaluation of mineral resources. It is limited to considering the nature of such costs that may be capitalized as assets and the facts and circumstances which indicate when such assets may be impaired and the level at which impairment is assessed. This standard did not have an effect on the financial statements.

(All amounts in EUR thousand unless otherwise stated)

2.2 Changes in accounting policies (continued)

IAS 19 Actuarial Gains and Losses, Group Plans and Disclosures

As of 1 January 2006, the Company adopted the amendments to IAS 19. As a result, additional disclosures are made providing information about trends in the liabilities in the defined benefit plan and the assumptions underlying the components of the defined benefit cost. This change has resulted in additional disclosures being included for the years ending 31 December 2006 and 31 December 2005 but has not had a recognition or measurement impact, as the

Company chose not to apply the new option offered to recognise actuarial gains and losses outside of the income statement.

IAS 21 The Effects of Changes in Foreign Exchange Rates

The Company adopted the amendment of IAS 21 as of 1 January 2006, which requires all exchange differences arising from a monetary item that forms part of the Company's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements regardless of the currency in which the monetary item is denominated. As the Company does not have any foreign subsidiaries, this amendment has had no impact on the financial statements.

IAS 39 Financial Instruments: Recognition and Measurement

Amendment for financial guarantee contracts (issued August 2005) – amended the scope of IAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue. This amendment did not have an effect on the financial statements.

Amendment for hedges of forecast intragroup transactions (issued April 2005) – amended IAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Company currently has no such transactions, the amendment did not have an effect on the financial statements.

Amendment for the fair value option (issued June 2005) – amended IAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Company had not previously used this option, hence the amendment did not have an effect on the financial statements.

IFRIC 4 Determining Whether an Arrangement contains a Lease

The Company adopted IFRIC Interpretation 4 as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This change in accounting policy has not had a significant impact on the Company as of 31 December 2006 or 31 December 2005.

IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

The Company adopted IFRIC Interpretation 5 as of 1 January 2006, which establishes the accounting treatment for funds established to help finance decommissioning for a companies assets. As the Company does not currently operate in a country where such funds exist, this interpretation has had no impact on the financial statements.

IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The Company adopted IFRIC Interpretation 6 as of 1 January 2006, which established the recognition date for liabilities arising from the EU Directive relating to the disposal of Waste Electrical and Electronic Equipment. As the Company does not currently participate in such market, this interpretation has had no impact on the financial statements.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2006

(All amounts in EUR thousand unless otherwise stated)

2.3 Significant accounting judgements, estimates and assumptions

In preparing the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

Retirement benefits

The cost of retirement benefit plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, personnel turnover rates and mortality rates. Due to the long-term nature of the plan, such estimates are subject to significant uncertainty. The net employee liability at 31 December 2006 is EUR 22 thousand (2005: EUR 19 thousand). Further details are given in Note 11.

2.4 Summary of significant accounting policies

Foreign currency translation

The financial statements are presented in euros while the functional currency of the Company is Bulgarian Lev (BGN). The Company uses Euro as a presentation currency due to the requirement of the ultimate parent company which is the main user of the financial statements.

As at the reporting date, the assets, liabilities, equity, revenue and expenses of the Company are translated into the presentation currency at the fixed rate of BGN/EUR of 1.95583 (or EUR/BGN of 0.51129) quoted by the Bulgarian National Bank. BGN is pegged to the EUR at the exchange rate of 1.95583 as from 1 January 2002 (BGN was pegged to the DEM as from 1 July 1997, with the introduction of the Currency Board in Bulgaria).

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.

Property, plant and equipment

Property, plant and equipment are stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. 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.

Depreciation is calculated on a straight line basis over the useful life of the assets.

When each 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.

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

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

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 of continuing operations are recognised in the income statement 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 the income statement.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Financial assets

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. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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 loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

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 (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

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 recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials	– purchase cost on a weighted average basis;
Finished goods	– cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents

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

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

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial assets and liabilities

Financial assets

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 retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset 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. 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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Retirement benefits

According to Bulgarian labor legislation, Zlatna Panega Beton EOOD as an employer is obliged to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the same employer for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. The retirement benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceed 10% of the retirement benefit obligation. The gains or losses are recognized over the average expected remaining working lives of the employees.

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, the retirement plan, past service cost is recognised immediately.

The retirement benefit liability comprises the present value of the defined benefit obligation less past service cost not yet recognised.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfilment is dependant on a specified asset; or
- d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged reflected in the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

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

Rendering of services

Revenue from transport services is recognized over the period during which the service is performed.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Revenue recognition (continued)

Rental income

Rental income arising from operating leases on fixed assets is accounted for on a straight-line basis over the lease terms.

Interest income

Revenue is recognised as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Taxes (continued)

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.

2.5 Future changes in accounting policies

IFRSs and IFRIC Interpretations 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 2007 or later periods but which the Company has not early adopted, as follows:

IFRS 7 Financial Instruments: Disclosures and a complementary amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007).

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

IFRS 8 Operating segments (effective from 1 January 2007).

IFRS 8 is not relevant for the Company's operations.

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for financial years beginning on or after 1 March 2006).

IFRIC 7 is not relevant to the Company's operations.

IFRIC 8 Scope of IFRS 2 (effective for financial years beginning on or after 1 May 2006).

IFRIC 8 is not relevant to the Company's operations.

IFRIC 9 Reassessment of Embedded Derivatives (effective for financial years beginning on or after 1 June 2006).

IFRIC 9 is not relevant to the Company's operations.

(All amounts in EUR thousand unless otherwise stated)

2.5 Future changes in accounting policies (continued)

IFRSs and IFRIC Interpretations not yet effective (continued)

IFRIC 10 Interim Financial Reporting and Impairment (effective for financial years beginning on or after 1 November 2006).

IFRIC 10 addresses the inconsistency between IAS 34 Interim Financial Reporting and the impairment requirements relating to goodwill in IAS 36 Impairment of Assets and equity instruments classified as available for sale in IAS 39 Financial Instruments: Recognition and Measurement. IFRIC 10 states that the specific requirements of IAS 36 and IAS 39 take precedence over the general requirements of IAS 34 and, therefore, any impairment loss recognised for these assets in an interim period may not be reversed in subsequent interim periods. Management is currently assessing the impact of IFRIC 10 on the Company's interim reporting.

IFRIC 11 IFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2007).

IFRIC 11 is not relevant to the Company's operations.

IFRIC 12 Service Concession Agreements (effective from 1 January 2008).

IFRIC 12 is not relevant to the Company's operations.

The Company expects that the adoption of the applicable pronouncements listed above will have no impact on the Company's financial statements in the period of initial application.

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3. Expenses and other revenues

3.1 Cost of sales

	<u>2006</u>	<u>2005</u>
Variable costs		
Cement	(3,897)	(3,232)
Aggregates	(2,180)	(1,725)
Freight	(739)	(617)
Additives	(315)	(254)
Fuel and oil	(124)	(105)
Repair and maintenance	(61)	(32)
Electricity	(27)	(25)
Cost of purchased concrete	(124)	(90)
Other variable costs	(160)	(145)
Fixed costs		
Plant salaries, wages and related expenses	(260)	(195)
Depreciation (note 5)	(370)	(356)
Repair and maintenance cost	(98)	(69)
Contract labour	(49)	(37)
Insurance and taxes	(23)	(23)
Plant utilities	(33)	(21)
Other fixed costs	(191)	(181)
	<u>(8,651)</u>	<u>(7,107)</u>

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3. Expenses and other revenues (continued)

3.2 Selling and distribution costs

	<u>2006</u>	<u>2005</u>
Salaries and related expenses	(79)	(71)
Utilities	-	(1)
Travel - entertainment	(2)	(3)
Advertising and promotion	(15)	(7)
Other	(17)	(18)
	<u>(113)</u>	<u>(100)</u>

3.3 Administrative expenses

	<u>2006</u>	<u>2005</u>
Salaries and related expenses	(168)	(122)
Depreciation (note 5)	(40)	(40)
Amortisation (note 5)	(3)	(4)
Utilities	(18)	(21)
Travel – entertainment	(10)	(15)
Consultancy fees	(18)	(27)
Audit fees	(8)	(19)
Repairs and Maintenance	(18)	(5)
Insurance and taxes	(25)	(45)
Supplies	(5)	(6)
Other	(54)	(51)
	<u>(367)</u>	<u>(355)</u>

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3. Expenses and other revenues (continued)

3.4 Other expenses

	<u>2006</u>	<u>2005</u>
Shortage and scrapping of assets	(8)	(5)
Expenses pertaining to disposal of fixed assets	-	(2)
Impairment of doubtful receivables	(27)	(91)
Other	(6)	(2)
Employee unused leave accrual	(4)	-
	<u>(45)</u>	<u>(100)</u>

3.5 Expenses by nature

	<u>2006</u>	<u>2005</u>
Materials used and recognised as an expense	(6,935)	(5,587)
Hired services	(1,275)	(1,130)
Depreciation	(410)	(396)
Amortisation	(3)	(4)
Employee benefits expense (note 3.6)	(493)	(381)
Other	(60)	(164)
Total cost of sales, selling and distribution, administrative and other expenses	<u>(9,176)</u>	<u>(7,662)</u>

3.6 Employee benefits expense

	<u>2006</u>	<u>2005</u>
Wages and salaries	(412)	(301)
Social security costs	(78)	(77)
Retirement benefits (note 11)	(3)	(3)
	<u>(493)</u>	<u>(381)</u>

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3. Expenses and other revenues (continued)

3.7 Other income

	<u>2006</u>	<u>2005</u>
Rental income	100	117
Surplus of assets	10	-
Reversed provisions from prior years	28	26
Other	<u>7</u>	<u>4</u>
	<u>145</u>	<u>147</u>

3.8 Finance revenue

	<u>2006</u>	<u>2005</u>
Interest income	<u>1</u>	<u>3</u>
	<u>1</u>	<u>3</u>

3.9 Finance costs

	<u>2006</u>	<u>2005</u>
Interest expense	(19)	(4)
Foreign exchange losses	(1)	(2)
Other	<u>-</u>	<u>(5)</u>
	<u>(20)</u>	<u>(11)</u>

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4. Income tax

The major components of income tax expense for the years ended 31 December 2006 and 2005 are:

	<u>2006</u>	<u>2005</u>
Current income tax charge	(95)	(30)
Deferred income tax benefit	<u>1</u>	<u>15</u>
Income tax expense reported in the income statement	<u>(94)</u>	<u>(15)</u>

In 2006 the nominal statutory tax rate is 15% (2005: 15%). For 2007 the nominal statutory tax rate is 10%.

A reconciliation between income tax expense and the result of accounting profit multiplied by the statutory tax rate for the years ended 31 December 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Accounting profit before income tax	<u>672</u>	<u>503</u>
Income tax expense at statutory tax rate of 15% for 2006 (2005: 15%)	(101)	(75)
Expenses not deductible for tax purposes	(2)	(1)
Effect of changes in tax rate	9	-
Utilization of previously unrecognised tax losses	<u>-</u>	<u>61</u>
Income tax expense	<u>(94)</u>	<u>(15)</u>

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4. Income tax (continued)

Deferred income tax at 31 December relates to the following:

	<u>Balance Sheet</u>		<u>Income Statement</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	<u>(37)</u>	<u>(44)</u>	7	4
<i>Deferred tax asset</i>				
Unused leave allowance	4	4		1
Retirement benefits	2	3	(1)	-
Provision for impairment of receivables	<u>11</u>	<u>16</u>	(5)	10
	17	23		
			<u>1</u>	<u>15</u>
Deferred tax income,				
	<u>(20)</u>	<u>(21)</u>		

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5. Property, plant and equipment

	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Vehicles</u>	<u>Furniture and fittings</u>	<u>Assets under construction</u>	<u>Total</u>
Cost:						
At 1 January 2005	1,367	1,274	1,188	57	-	3,886
Additions	482	60	930	12	280	1,764
Transfers	-	-	-	7	(7)	-
Disposals	-	-	-	-	-	-
At 31 December 2005	<u>1,849</u>	<u>1,334</u>	<u>2,118</u>	<u>76</u>	<u>273</u>	5,650
Additions	-	11	7	17	1,125	1,160
Transfers	-	82	405	2	(489)	-
Disposals	-	(9)	-	(7)	(1)	(17)
At 31 December 2006	<u>1,849</u>	<u>1,418</u>	<u>2,530</u>	<u>88</u>	<u>908</u>	<u>6,793</u>
Depreciation and impairment:						
At 1 January 2005	233	645	943	33	-	1,854
Depreciation charge for the year	50	135	200	11	-	396
Disposals	-	-	-	-	-	-
At 31 December 2005	<u>283</u>	<u>780</u>	<u>1,143</u>	<u>44</u>	<u>-</u>	2,250
Depreciation charge for the year	51	145	198	16	-	410
Impairment	-	-	-	-	-	-
Disposals	-	(9)	-	(7)	-	(16)
At 31 December 2006	<u>334</u>	<u>916</u>	<u>1,341</u>	<u>53</u>	<u>-</u>	<u>2,644</u>
Net book value:						
At 31 December 2006	<u>1,515</u>	<u>502</u>	<u>1,189</u>	<u>35</u>	<u>908</u>	<u>4,149</u>
At 31 December 2005	<u>1,566</u>	<u>554</u>	<u>975</u>	<u>32</u>	<u>273</u>	<u>3,400</u>
At 1 January 2005	<u>1,134</u>	<u>629</u>	<u>245</u>	<u>24</u>	<u>-</u>	<u>2,032</u>

Impairment of property, plant and equipment

The management has performed an impairment review of property, plant and equipment and considered that there were no indications that the assets' carrying amounts might exceed their recoverable amounts.

Useful lives

The useful lives of the assets are estimated as follows:

	<u>2006</u>	<u>2005</u>
Buildings	25 years	25 years
Plant and machinery	4 to 10 years	4 to 10 years
Vehicles	5 to 7 years	5 to 7 years
Furniture and fittings	7 years	7 years

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6. Intangible assets

	<u>Licences</u>	<u>Computer software</u>	<u>Total</u>
Cost:			
At 1 January 2005	20	2	22
Additions	-	-	-
Disposals	-	-	-
At 31 December 2005	20	2	22
Additions	1	-	1
Disposals	-	-	-
At 31 December 2006	21	2	23
Amortisation and impairment:			
At 1 January 2005	5	2	7
Amortisation charge for the year (note 3.3)	4	-	4
Disposals	-	-	-
At 31 December 2005	9	2	11
Amortisation charge for the year (note 3.3)	3	-	3
Impairment	-	-	-
Disposals	-	-	-
At 31 December 2006	12	2	14
Net book value:			
At 31 December 2006	9	-	9
At 31 December 2005	11	-	11
At 1 January 2005	15	-	15

Impairment of intangible assets

The management has performed an impairment review of intangible assets and considered that there were no indications that the assets' carrying amounts might exceed their recoverable amounts.

Useful lives

The useful lives of the assets are estimated as follows:

	<u>2006</u>	<u>2005</u>
Licences	3 to 15 years	3 to 15 years
Computer software	5 years	5 years

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7. Inventories

	<u>2006</u>	<u>2005</u>
Raw materials (at cost)	102	100
	<u>102</u>	<u>100</u>

8. Trade and other receivables

	<u>2006</u>	<u>2005</u>
Trade receivables, gross	1,283	907
Less: Provision for impairment	(118)	(113)
Trade receivables, net	1,165	794
VAT	48	-
Other receivables	31	26
	<u>1,244</u>	<u>820</u>

Trade receivables are non-interest bearing and are generally on 0 - 30 days' terms.

9. Cash and cash equivalents

	<u>2006</u>	<u>2005</u>
Cash at bank	43	373
Cash in hand	13	7
	<u>56</u>	<u>380</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2006 the fair value of cash is EUR 56 thousand (2005: EUR 380 thousand).

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10. Issued capital

	<u>2006</u>	<u>2005</u>
Shares of EUR 5 each, as per court registration	3,564	3,564
	<u>3,564</u>	<u>3,564</u>
	<u>Number of ordinary shares (thousands)</u>	<u>Authorised and issued share capital</u>
At 1 January 2005	697	3,564
At 1 January 2006	<u>697</u>	<u>3,564</u>
At 31 December 2006	<u>697</u>	<u>3,564</u>

All shares issued were fully paid.

11. Retirement benefits

According to Bulgarian labour legislation, Zlatna Panega Beton EOOD as an employer is obliged to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the same employer for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. The retirement benefits are unfunded.

The following tables summarise the components of net benefits expense recognised in the income statement and amounts recognised in the balance sheet for the retirement benefit plan:

Net benefit expense

	<u>2006</u>	<u>2005</u>
Current service cost	2	2
Interest cost	<u>1</u>	<u>1</u>
Net benefit expense recognised in the income statement (note 3.6)	<u>3</u>	<u>3</u>

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11. Retirement benefits (continued)

Benefit liability

	<u>2006</u>	<u>2005</u>
Present value of retirement benefit obligation	22	18
Unrecognised actuarial (gains)/losses	<u>-</u>	<u>1</u>
Benefit liability recognised in the balance sheet	<u>22</u>	<u>19</u>

Changes in the present value of the retirement benefit obligation are as follows:

	<u>Amount</u>
Retirement benefit obligation at 1 January 2005	16
Interest cost	1
Current service cost	<u>2</u>
Retirement benefit obligation at 31 December 2005	19
Interest cost	1
Current service cost	<u>2</u>
Retirement benefit obligation at 31 December 2006	<u><u>22</u></u>

The principal assumptions used in determining retirement benefit obligation are shown below:

	<u>2006</u>	<u>2005</u>
Discount rate	6 %	7 %
Future salary increases	6 %	5 %

Amounts for the current and previous two periods are as follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Retirement benefit obligation	22	19	16
Experience adjustments on liabilities	-	-	-

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12. Trade and other payables

	<u>2006</u>	<u>2005</u>
Trade payables	158	294
Unused paid leave	33	35
Social security	17	7
Payroll taxes	5	-
Payables to employees	20	16
VAT	-	1
Other taxes	2	7
Insurance premium payable	18	-
Other payables	4	15
	<u><u>257</u></u>	<u><u>375</u></u>

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

- Trade payables are non-interest bearing and are normally settled on 10 day terms;
- Tax payables are non-interest bearing and are settled within the legal deadlines;
- Other payables are non-interest bearing and have an average term of 10 days.

13. 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 owner of the Company is Zlatna Panega Cement AD. Zlatna Panega Cement AD is controlled by REA Cement Limited, a company incorporated in Cyprus, holding 99.99% of its shares. The ultimate parent of Zlatna Panega Cement AD is Titan Cement Company S.A., Greece.

Other related parties

Granitoid AD and Zlatna Panega Beton EOOD are related parties because they are under the common control of Titan Cement Company S.A.

Karieri AD and Holcim Karierni Materiali AD are related parties to Zlatna Panega Beton EOOD, because Gravel and Sand Pits Bulgaria AD, that is a 100% owned subsidiary of the parent company Zlatna Panega Cement AD has participation of 49% (significant influence) in both companies.

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13. Related party disclosures (continued)

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

		<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Amounts owed from related parties</u>	<u>Amounts owed to related parties</u>
Sales / purchases from related party					
<i>Entity with controlling interest in the Company</i>					
Zlatna Panega Cement AD	2006	427	3,897	24	573
Zlatna Panega Cement AD	2005	41	3,215	10	677
<i>Other related parties</i>					
Granitoid AD	2006	-	-	-	1
Granitoid AD	2005	-	732	-	1
Holcim Karierni Materiali AD, Sofia	2006	-	315	-	63
Holcim Karierni Materiali AD, Sofia	2005	-	-	-	-
Karieri AD, Plovdiv	2006	-	145	-	9
Karieri AD, Plovdiv	2005	-	-	-	-
	2006			24	646
	2005			10	678

		<u>Interest received</u>	<u>Interest paid</u>	<u>Amounts owed from related parties</u>	<u>Amounts owed to related parties</u>
Loans to related party					
<i>Entity with controlling interest in the Company</i>					
Zlatna Panega Cement AD	2006	-	13	-	559
Zlatna Panega Cement AD	2005	-	4	-	-

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(All amounts in EUR thousand unless otherwise stated)

13. Related party disclosures (continued)

Terms and conditions of transactions with related parties

The sales and purchases from related parties are made at normal market prices. Outstanding balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2006, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2005: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Loans from related party

Zlatna Panega Cement AD

During the year, Zlatna Panega Beton EOOD has received a loan of EUR 559 thousand (2005: EUR Nil) from its parent company, Zlatna Panega Cement AD. The loan will be used by Company for capital expenditure purposes. The loan is unsecured and is repayable within one year. Interest is charged at Bulgarian prime rate plus spread of 2.5%.

Compensation of key management personnel

	<u>2006</u>	<u>2005</u>
Short-term employee benefits	<u>91</u>	<u>74</u>
	<u>91</u>	<u>74</u>

14. Commitments and contingencies

Capital commitments

As of 31 December 2006, the Company had commitments of EUR 28 thousand (2005: EUR 100 thousand) as follows:

	<u>2006</u>	<u>2005</u>
Equipment for ready-mix production	-	100
Engineering for replacement of ready-mix center (RMC) unit 2.0 m3 with 2.25 m3	6	-
Construction of measuring scale	6	-
Engineering of site for RMC	<u>16</u>	<u>-</u>
	<u>28</u>	<u>100</u>

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14. Commitments and contingencies (continued)

Legal claims

There are no significant legal claims against the Company.

Guarantees

The Company has provided no guarantees as of 31 December 2006 and 31 December 2005.

Operating lease commitments – Company as a lessee

The Company has entered into operating leases with regard to certain motor vehicles and items of machinery. These leases have an average life of between 3 and 5 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of 31 December are as follows:

	<u>2006</u>	<u>2005</u>
Within one year	18	6
After one year but not more than five years	44	3
More than five years	-	-
	<u>62</u>	<u>9</u>

Other

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

- Corporate income tax – until 31 December 2001;
- VAT – until 31 December 2003;
- Personal income tax – until 31 December 2001;
- Social security contributions – until 31 March 2001;
- Local taxes and fees – until 31 December 2001.

The directors do not believe that, as of 31 December 2006, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

(All amounts in EUR thousand unless otherwise stated)

15. Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans from related parties and trade payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash, which arise directly from its operations.

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

Interest rate risk

The Company does not have any significant interest-bearing assets and/or liabilities. Therefore, it is not exposed to significant interest rate risks.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of committed credit facilities. The liquidity risk is addressed by continuing support of the sole owner through disbursement of loans.

Foreign exchange risk

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

Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and other financial assets, 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.

There are no significant concentrations of credit risk within the Company.

16. Financial instruments

Fair values

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

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

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6. Financial instruments (continued)

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

Interest rate risk

The following table sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk:

Year ended 31 December 2006

	Within 1 year	1 – 2 years	2 - 3 years	3-4 years	4-5 years	More than 5 years	Total
<i>Fixed rate</i>							
Loans received from the sole owner	559	-	-	-	-	-	559

Year ended 31 December 2005

	Within 1 year	1 – 2 years	2-3 years	3-4 years	4-5 years	More than 5 years	Total
<i>Fixed rate</i>							
Loans received from the sole owner	-	-	-	-	-	-	-

Credit risk

There are no significant concentrations of credit risk within the Company.

17. Events after the balance sheet date

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