

**ZLATNA PANEGA BETON EOOD**

**ANNUAL FINANCIAL STATEMENTS**

31 December 2007

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**Directors**

Emil Braychev – Executive Director  
Biser Dosev - Procurator

**Registered office**

6, Poruchik Nedelcho Bonchev Str.  
Sofia

**Solicitors**

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

**Bankers**

Societe General – Expressbank - Sofia

**Auditors**

Ernst & Young Audit OOD  
Business Park Sofia  
Building 10, Floor 2  
Mladost 4  
Sofia 1766

## ZLATNA PANEGA BETON EOOD

### DIRECTORS' REPORT

For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

### DIRECTORS' REPORT

The Directors present their report and the financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU) for the year ended 31 December 2007. These financial statements have been audited by Ernst and Young Audit OOD.

### GENERAL INFORMATION AND BUSINESS DESCRIPTION

Zlatna Panega Beton EOOD is registered in Bulgaria. Its principal activities include:

- 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 overall financial performance and position of the Company for 2007 was characterized by:

- Keeping the market share of the Company in the sector under increasing competition. As a result of this the Company has sold 224,812 cubic meters 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;
- Modernization of existing ready-mix-mixed plants and construction of new ones all over Bulgaria.

#### Share capital structure

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

As at 31 December 2007 Zlatna Panega Beton EOOD has no subsidiaries and associates.

### OBJECTIVES OF THE COMPANY FOR 2008

- Keeping annual of sales to 326,000 cubic meters in Sofia, Plovdiv and Zlatna Panega and starting operations in Veliko Turnovo, Pernik and Stara Zagora;
- Increase in market share in Sofia and optimizing of the transport cost by construction of one new site for production of concrete;
- Optimization of the organizational structure of the company in view of the expansion of the business.

## ZLATNA PANEGA BETON EOOD

### DIRECTORS' REPORT

For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

#### CORPORATE GOVERNANCE

The Company is a limited liability company and operates as one-tier system of corporate management in accordance with the commercial legislation in Bulgaria, effective for 2007.

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 2007.

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  
1 February 2008



## INDEPENDENT AUDITORS' REPORT

### TO THE SOLE OWNER OF ZLATNA PANEKA BETON EOOD

We have audited the accompanying financial statements of **ZLATNA PANEKA BETON EOOD**, which comprise the balance sheet as of 31 December 2007, 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*

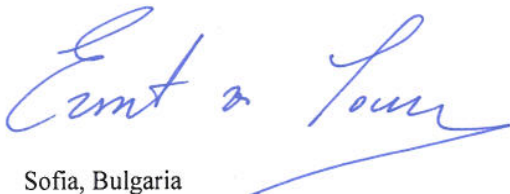
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 **ZLATNA PANEKA BETON EOOD** as of 31 December 2007, 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.



Sofia, Bulgaria

4 February 2008

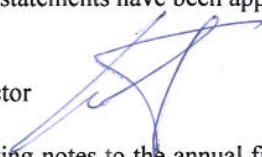
**ZLATNA PANEGA BETON EOOD****INCOME STATEMENT**

For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Notes	2007	2006
Sale of goods		8,432	8,249
Rendering of services		1,985	1,473
<b>Revenue</b>		<b>10,417</b>	<b>9,722</b>
Cost of sales	3.1	(10,011)	(8,651)
<b>Gross profit</b>		<b>406</b>	<b>1,071</b>
Other income	3.7	177	145
Selling and distribution costs	3.2	(149)	(113)
Administrative expenses	3.3	(454)	(367)
Other expenses	3.4	(39)	(45)
<b>Operating (loss)/ profit</b>		<b>(59)</b>	<b>691</b>
Finance revenue	3.8	-	1
Finance costs	3.9	(66)	(20)
<b>(Loss)/ Profit before tax</b>		<b>(125)</b>	<b>672</b>
Income tax income/ (expense)	4	12	(94)
<b>(Loss)/ Profit for the year</b>		<b>(113)</b>	<b>578</b>

These financial statements have been approved on 1 February 2008 by:

Emil Braychev  
Executive Director

The accompanying notes to the annual financial statements on pages 6 to 35 form an integral part of these financial statements.

**ZLATNA PANEGA BETON EOOD****BALANCE SHEET**

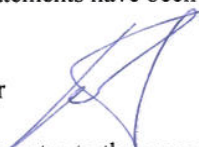
As of 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	<u>Notes</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	6,890	4,149
Intangible assets	6	62	9
		<u>6,952</u>	<u>4,158</u>
<b>Current assets</b>			
Inventories	7	152	102
Trade receivables	8.1	1,755	1,165
Other receivables	8.2	77	79
Receivables from related parties	13	11	24
Prepayments		140	135
Income tax receivable		43	-
Cash and cash equivalents	9	52	56
		<u>2,230</u>	<u>1,561</u>
<b>TOTAL ASSETS</b>		<u><b>9,182</b></u>	<u><b>5,719</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	10	3,564	3,564
Retained earnings		206	319
<b>Total equity</b>		<u><b>3,770</b></u>	<u><b>3,883</b></u>
<b>Non-current liabilities</b>			
Retirement benefit liability	11	25	22
Deferred tax liability	4	8	20
		<u>33</u>	<u>42</u>
<b>Current liabilities</b>			
Trade payables	12.1	631	158
Other payables	12.2	128	99
Advances received		92	263
Payables to related parties	13	4,528	1,205
Income tax payable		-	69
		<u>5,379</u>	<u>1,794</u>
<b>Total liabilities</b>		<u><b>5,412</b></u>	<u><b>1,836</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>9,182</b></u>	<u><b>5,719</b></u>

These financial statements have been approved on 1 February 2008 by:

Emil Braychev  
Executive Director




The accompanying notes to the annual financial statements on pages 6 to 35 form an integral part of these financial statements.



**ZLATNA PANEGA BETON EOOD**  
**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Issued capital (note 10)	(Accumulated loss)/ Retained earnings	Total
<b>At 1 January 2006</b>	3,564	(259)	3,305
Profit for the year	-	578	578
<b>At 31 December 2006</b>	<b>3,564</b>	<b>319</b>	<b>3,883</b>
<b>At 1 January 2007</b>	3,564	319	3,883
Loss for the year	-	(113)	(113)
<b>At 31 December 2007</b>	<b>3,564</b>	<b>206</b>	<b>3,770</b>

These financial statements have been approved on 1 February 2008 by:

Emil Braychev  
Executive Director

The accompanying notes to the annual financial statements on pages 6 to 35 form an integral part of these financial statements.



**ZLATNA PANEGA BETON EOOD****CASH FLOW STATEMENT**

For the year ended 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

	Notes	2007	2006
<b>OPERATING ACTIVITIES</b>			
<b>(Loss)/ Profit before tax</b>		<b>(125)</b>	<b>672</b>
Adjustments to reconcile (loss)/ profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	5	550	410
Amortisation of intangible assets	6	16	3
Loss on disposal of property, plant and equipment		12	1
Movement in doubtful debt allowance	8.1	(40)	5
Movement in employee benefit liability	11	3	3
Interest income	3.8	-	(1)
Interest expense	3.9	66	19
Working capital adjustments:			
(Increase) in inventories		(50)	(2)
(Increase) in trade and other receivables		(539)	(445)
Decrease/(Increase) in prepayments		132	(99)
Increase/(Decrease) in trade and other payables		330	(213)
Income tax paid		(112)	(55)
<b>Net cash flows from operating activities</b>		<b>243</b>	<b>298</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(3,437)	(1,158)
Purchase of intangible assets		(69)	(1)
Interest received		1	1
<b>Net cash flows used in investing activities</b>		<b>(3,505)</b>	<b>(1,158)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings from related parties		3,529	986
Repayment of borrowings from related parties		(220)	(431)
Interest paid		(51)	(19)
<b>Net cash flows from financing activities</b>		<b>3,258</b>	<b>536</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(4)</b>	<b>(324)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>56</b>	<b>380</b>
<b>Cash and cash equivalents at 31 December</b>	9	<b>52</b>	<b>56</b>

These financial statements have been approved on 1 February 2008 by:

Emil Braychev  
Executive Director



The accompanying notes to the annual financial statements on pages 6 to 35 form an integral part of these financial statements.

**ZLATNA PANEGA BETON EOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**

As of 31 December 2007

(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 2007 were authorized for issue in accordance with a decision of the Executive Director on 1 February 2008.

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

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

As of 31 December 2007 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 Company 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 (IFRS), as endorsed by the European Union (EU).

The preparation of these annual financial statements of the Company is required by the ultimate parent company for consolidation.

### **2.2. Changes in accounting policy and disclosures**

#### **New and amended standards and interpretations effective for reporting periods ended 31 December 2007**

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 performance or position of the Company. They did however give rise to additional disclosures:

- IFRS 7 Financial Instruments: Disclosures
- IAS 1 Amendment: Presentation of Financial Statements - Capital Disclosures
- IFRIC 7 Applying Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- IFRIC 8 Scope of IFRS 2
- IFRIC 9 Reassessment of Embedded Derivates
- IFRIC 10 Interim Financial Reporting and Impairment

**ZLATNA PANEGA BETON EOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
As of 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

**2.2. Changes in accounting policy and disclosures (continued)**

**New and amended standards and interpretations effective for reporting periods ended 31 December 2007 (continued)**

The principal effect of these changes is as follows:

*IFRS 7 Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

*IAS 1 Amendment: Presentation of Financial Statements – Capital Disclosures*

This amendment requires disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in Note 15.

*IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*

IFRIC 7 requires entities to apply IAS 29 Financial Reporting in Hyper-inflationary Economies in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. IFRIC 7 is not relevant to the Company's operations and did not have an effect on the financial statements.

*IFRIC 8 Scope of IFRS 2*

This interpretation requires IFRS 2 *Share-Based Payments* to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As the Company does not have any share-based payments, the interpretation had no impact on its financial position or performance.

*IFRIC 9 Reassessment of Embedded Derivatives*

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Company has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Company.

*IFRIC 10 Interim Financial Reporting and Impairment*

This interpretation requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company had reported no goodwill or investments, the interpretation had no impact on the financial position or performance of the Company.

Certain reclassifications of comparative information included in the balance sheet and cash flow statement were made in order to ensure consistency with the presentation of current financial year's figures. The comparative information for trade receivables and other receivables as well as trade payables and other payables were presented as separate line items accordingly. In the cash flow statement the comparative information for interest paid and interest received were reclassified from operating activities to financing and investing activities, respectively.

**ZLATNA PANEGA BETON EOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**

As of 31 December 2007

(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.

#### *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 2007 is EUR 25 thousand (2006: EUR 22 thousand). Further details are given in Note 11 to the financial statements.

#### *Useful lives of property plant and equipment, and intangible assets*

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and their residual values. The determination of the useful lives of the assets is based on management's judgment.

#### *Provision for impairment of receivables*

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful receivables, management bases its estimates on the aging of accounts receivable, balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

#### *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised deferred tax assets on tax losses at 31 December 2007 was EUR 3 thousand (2006: Nil). Further details are contained in Note 4.

### **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 these annual 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).

**ZLATNA PANEGA BETON EOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**

As of 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

**2.4. Summary of significant accounting policies (continued)**

**Foreign currency translation (continued)**

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 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. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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.

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 profit or loss 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 profit or loss when the asset is derecognised.

**ZLATNA PANEGA BETON EOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**

As of 31 December 2007

(All amounts in EUR thousand unless otherwise stated)

**2.4. Summary of significant accounting policies (continued)**

**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 profit or loss in those expense categories consistent with the function of the impaired asset.

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

**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 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 profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(All amounts in EUR thousand unless otherwise stated)

## **2.4. Summary of significant accounting policies (continued)**

### **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.

### **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.



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**2.4. Summary of significant accounting policies (continued)**

**Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value less directly attributable transaction costs, and have not been designated “as at fair value through profit or loss”.

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.

**Issued Capital**

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

**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.

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 profit or loss.

(All amounts in EUR thousand unless otherwise stated)

## **2.4. Summary of significant accounting policies (continued)**

### **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 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 previous reporting period exceed 10% of the retirement benefit obligation. The gains and losses are recognized over the average 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 defined benefit liability comprises the present value of the defined benefit obligation less past service cost not yet recognised.

#### **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*

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

(All amounts in EUR thousand unless otherwise stated)

## **2.4. Summary of significant accounting policies (continued)**

### **Leases (continued)**

#### *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.

#### *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.

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**2.4. Summary of significant accounting policies (continued)**

**Taxes (continued)**

*Deferred income tax (continued)*

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

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

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

*Value added tax*

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

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

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

**2.5. Future changes in accounting policies**

**Standards, interpretations and amendments issued but not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2008 or later periods but which the Company has not early adopted, as follows:

*IAS 23 Borrowing Costs - Revised*

A revised IAS 23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. The Company will be required to change its accounting policy from 1 January 2009 to capitalise borrowing costs on qualifying assets prospectively from that date. In accordance with the transitional requirements in the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

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**2.5. Future changes in accounting policies (continued)**

**Standards, interpretations and amendments issued but not yet effective (continued)**

*IAS 1 Presentation of Financial Statements Revised*

A revised IAS 1 Presentation of Financial Statements becomes effective for financial years beginning on or after 1 January 2009. The standard was revised to require statement of changes in equity to include only transactions with shareholders. A new statement of comprehensive income is introduced and dividends to equity holders are shown only in the statement of changes of equity or notes to the financial statements. The Company is in the process of assessing the impact this revised standard will have on its financial statements.

*IFRS 8 – Operating segments*

IFRS 8 replaces IAS 14 Segment Reporting and is effective for periods beginning on or after 1 January 2009. IFRS 8 adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. As the Company does not report any operating segment, this standard will have no impact on it.

*IFRIC 11, IFRS 2-Group and Treasury Share Transactions*

IFRIC 11 becomes effective for financial years beginning on or after 1 March 2007. This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent. IFRIC 11 is not relevant to the Company's operations.

*IFRIC 12 Service Concession Arrangements*

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. As the Company is not an operator, this Interpretation will have no impact on it.

*IFRIC 13 Customer Loyalty Programmes*

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Company expects that this interpretation will have no impact on the Company's financial statements as no such schemes currently exist.

*IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. The Company expects that this Interpretation will have no impact on its financial position or performance as it does not operate funded defined benefit schemes.

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**3. Expenses and other revenues**

**3.1. Cost of sales**

	<u>2007</u>	<u>2006</u>
<b>Variable costs</b>		
Cement	(4,018)	(3,897)
Aggregates	(2,580)	(2,180)
Freight	(770)	(739)
Additives	(319)	(315)
Fuel and oil	(159)	(124)
Repair and maintenance	(43)	(61)
Electricity	(29)	(27)
Cost of purchased concrete	(531)	(124)
Other variable costs	(172)	(160)
<b>Fixed costs</b>		
Plant salaries, wages and related expenses	(432)	(260)
Depreciation	(512)	(370)
Amortization	(13)	-
Repair and maintenance cost	(86)	(98)
Contract labour	(51)	(49)
Insurance and taxes	(31)	(23)
Plant utilities	(15)	(33)
Other fixed costs	(250)	(191)
	<u><b>(10,011)</b></u>	<u><b>(8,651)</b></u>

**ZLATNA PANEGA BETON EOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**3. Expenses and other revenues (continued)**

**3.2. Selling and distribution costs**

	<u>2007</u>	<u>2006</u>
Salaries and related expenses	(106)	(79)
Advertising and promotion	(13)	(15)
Travel - entertainment	(2)	(2)
Other	(28)	(17)
	<u>(149)</u>	<u>(113)</u>

**3.3. Administrative expenses**

	<u>2007</u>	<u>2006</u>
Salaries and related expenses	(232)	(168)
Car expenses	(64)	(27)
Depreciation	(38)	(40)
Insurance and taxes	(24)	(25)
Travel – entertainment	(19)	(10)
Utilities	(18)	(18)
Consultancy fees	(18)	(18)
Audit fees	(9)	(8)
Supplies	(7)	(5)
Repairs and maintenance	(5)	(18)
Amortisation	(3)	(3)
Other	(17)	(27)
	<u>(454)</u>	<u>(367)</u>

**ZLATNA PANEGA BETON EOOD**  
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**3. Expenses and other revenues (continued)**

**3.4. Other expenses**

	<u>2007</u>	<u>2006</u>
Employee unused leave accrual	(18)	(4)
Expenses pertaining to disposal of fixed assets	(7)	-
Provision for impairment of trade receivables (note 8.1)	(3)	(27)
Shortage and scrap of assets	-	(8)
Other	(11)	(6)
	<u>(39)</u>	<u>(45)</u>

**3.5. Expenses by nature**

	<u>2007</u>	<u>2006</u>
Materials used and recognised as an expense	(7,889)	(6,935)
Hired services	(1,311)	(1,275)
Depreciation (note 5)	(550)	(410)
Amortisation (note 6)	(16)	(3)
Employee benefits expense (note 3.6)	(784)	(493)
Other	(103)	(60)
<b>Total cost of sales, selling and distribution, administrative and other expenses</b>	<u>(10,653)</u>	<u>(9,176)</u>

**3.6. Employee benefits expense**

	<u>2007</u>	<u>2006</u>
Wages and salaries	(667)	(412)
Social security costs	(114)	(78)
Retirement benefits (note 11)	(3)	(3)
	<u>(784)</u>	<u>(493)</u>



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**3. Expenses and other revenues (continued)**

**3.7. Other income**

	<u>2007</u>	<u>2006</u>
Rental income	71	100
Reversal of provisions from prior years	44	28
Penalties for delayed payments	21	-
Income from the sales of scrap and materials	4	-
Surplus of assets	-	10
Other	37	7
	<u>177</u>	<u>145</u>

**3.8. Finance revenue**

	<u>2007</u>	<u>2006</u>
Interest income calculated using the effective interest method for financial assets carried at amortised cost:		
Bank accounts and deposits	-	1
	<u>-</u>	<u>1</u>

**3.9. Finance costs**

	<u>2007</u>	<u>2006</u>
Interest expense calculated using the effective interest method for financial liabilities carried at amortised cost:		
Loans received from related parties	(61)	(13)
Fee expense (other than amounts included in determining the effective interest rate) arising from financial liabilities carried at amortised cost	(5)	(6)
Foreign exchange losses	-	(1)
	<u>(66)</u>	<u>(20)</u>

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**4. Income tax**

The major components of income tax benefit/ (expense) for the years ended 31 December 2007 and 2006 are:

	<u>2007</u>	<u>2006</u>
Current income tax expense	-	(95)
Deferred tax income	<u>12</u>	<u>1</u>
<b>Income tax benefit/ (expense) reported in the income statement</b>	<b><u>12</u></b>	<b><u>(94)</u></b>

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

A reconciliation between income tax benefit/ (expense) and the result of accounting (loss)/ profit multiplied by the statutory tax rate for the years ended 31 December 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Accounting (loss)/profit before income tax	<u>(125)</u>	<u>672</u>
Income tax expense at statutory tax rate of 10% for 2007 (2006: 15%)	13	(101)
Expenses not deductible for tax purposes	(1)	(2)
Effect of change in tax rate	<u>-</u>	<u>9</u>
Income tax benefit/ (expense)	<b><u>12</u></b>	<b><u>(94)</u></b>

Deferred income tax at 31 December relates to the following:

	<u>Balance Sheet</u>		<u>Income Statement</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	(28)	(37)	9	7
<i>Deferred tax asset</i>				
Unused leave allowance	6	4	2	-
Tax loss carried forward	3	-	3	-
Retirement benefits	3	2	1	(1)
Provision for impairment of receivables	<u>8</u>	<u>11</u>	<u>(3)</u>	<u>(5)</u>
	20	17		
<b>Deferred tax income</b>			<b><u>12</u></b>	<b><u>1</u></b>
<b>Deferred tax liability, net</b>	<b><u>(8)</u></b>	<b><u>(20)</u></b>		

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**5. Property, plant and equipment**

	Land and buildings	Plant and machinery	Vehicles	Furniture and fittings	Assets under construction	Total
<b>Cost:</b>						
At 1 January 2006	1,849	1,334	2,118	76	273	5,650
Additions	-	11	7	17	1,125	1,160
Transfers	-	82	405	2	(489)	-
Disposals	-	(8)	-	(8)	(1)	(17)
At 31 December 2006	1,849	1,419	2,530	87	908	6,793
Additions	1,451	140	616	57	1,039	3,303
Transfers	20	1,427	4	7	(1,458)	-
Disposals	-	(12)	(3)	(1)	(2)	(18)
<b>At 31 December 2007</b>	<b>3,320</b>	<b>2,974</b>	<b>3,147</b>	<b>150</b>	<b>487</b>	<b>10,078</b>
<b>Depreciation and impairment:</b>						
At 1 January 2006	283	780	1,143	44	-	2,250
Depreciation charge for the year	51	145	198	16	-	410
Disposals	-	(9)	-	(7)	-	(16)
At 31 December 2006	334	916	1,341	53	-	2,644
Depreciation charge for the period	53	262	219	16	-	550
Disposals	-	(6)	-	-	-	(6)
<b>At 31 December 2007</b>	<b>387</b>	<b>1,172</b>	<b>1,560</b>	<b>69</b>	<b>-</b>	<b>3,188</b>
<b>Net book value:</b>						
At 1 January 2006	1,566	554	975	32	273	3,400
At 31 December 2006	1,515	503	1,189	34	908	4,149
At 31 December 2007	2,933	1,802	1,587	81	487	6,890

*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 may exceed their recoverable amounts.

*Useful lives*

The useful lives of the assets are estimated as follows:

	2007	2006
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**

	Licences	Computer software	Total
<b>Cost</b>			
At 1 January 2006	20	2	22
Additions	1	-	1
Disposals	-	-	-
At 31 December 2006	21	2	23
Additions	-	69	69
Disposals	-	-	-
<b>At 31 December 2007</b>	<b>21</b>	<b>71</b>	<b>92</b>
<b>Amortisation and impairment</b>			
At 1 January 2006	9	2	11
Amortisation charge for the year	3	-	3
Disposals	-	-	-
At 31 December 2006	12	2	14
Amortisation charge for the period	4	12	16
Disposals	-	-	-
<b>At 31 December 2007</b>	<b>16</b>	<b>14</b>	<b>30</b>
<b>Net book value:</b>			
At 1 January 2006	11	-	11
At 31 December 2006	9	-	9
<b>At 31 December 2007</b>	<b>5</b>	<b>57</b>	<b>62</b>

*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:

	2007	2006
Licences	3 to 15 years	3 to 15 years
Computer software	5 years	5 years

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**7. Inventories**

	<u>2007</u>	<u>2006</u>
Raw materials (at cost)	152	102
	<u><b>152</b></u>	<u><b>102</b></u>

**8. Trade and other receivables**

**8.1. Trade receivables**

	<u>2007</u>	<u>2006</u>
Trade receivables	1,755	1,165
Receivables under court procedure	78	118
Less: Provision for impairment	<u>(78)</u>	<u>(118)</u>
Trade receivables, net	<u><b>1,755</b></u>	<u><b>1,165</b></u>

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

As at 31 December 2007, trade receivables at nominal value of EUR 78 thousand (2006: EUR 118 thousand) were fully provided for impairment following receivable collectability analysis performed by the Company's management. Movements in the allowance for impairment of receivables were as follows:

	<u>Allowance for individually impaired receivables</u>
At 1 January 2006	113
Charge for the year (note 3.4)	27
Utilised	<u>(22)</u>
<b>At 31 December 2006</b>	<u><b>118</b></u>
At 1 January 2007	118
Charge for the year (note 3.4)	3
Utilised	<u>(43)</u>
<b>At 31 December 2007</b>	<u><b>78</b></u>

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**8. Trade and other receivables (continued)**

**8.1. Trade receivables (continued)**

As at 31 December, the aging analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2007	1,755	966	288	193	115	61	132
2006	1,165	380	327	234	116	37	71

**8.2. Other receivables**

	2007	2006
Deferred expenses	36	30
VAT receivable	19	48
Other receivables	22	1
	<u>77</u>	<u>79</u>

Other receivables are non-interest bearing and are generally on 0 - 90 days' terms.

**9. Cash and cash equivalents**

	2007	2006
Cash at bank	49	43
Cash in hand	3	13
	<u>52</u>	<u>56</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2007 the fair value of cash is EUR 52 thousand (2006: EUR 56 thousand).

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**10. Issued capital**

	<u>2007</u>	<u>2006</u>
Shares of EUR 5 each, as per court registration	<u>3,564</u>	<u>3,564</u>
	<u><b>3,564</b></u>	<u><b>3,564</b></u>
	<u>Number of shares (thousands)</u>	<u>Authorized capital</u>
At 1 January 2006	697	3,564
At 1 January 2007	<u>697</u>	<u>3,564</u>
At 31 December 2007	<u><b>697</b></u>	<u><b>3,564</b></u>

All shares issued were fully paid.

**11. Retirement benefits**

According to Bulgarian labor legislation, and Company's collective labour agreement, 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>2007</u>	<u>2006</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><b>(3)</b></u>	<u><b>(3)</b></u>

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**11. Retirement benefits (continued)**

**Benefit liability**

	<u>2007</u>	<u>2006</u>
Present value of retirement benefit obligation	<u>25</u>	<u>22</u>
Benefit liability recognised in the balance sheet	<u><b>25</b></u>	<u><b>22</b></u>

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

	<u>Amount</u>
Retirement benefit obligation at 1 January 2006	19
Interest cost	1
Current service cost	2
<b>Retirement benefit obligation at 31 December 2006</b>	<u><b>22</b></u>
Interest cost	1
Current service cost	2
<b>Retirement benefit obligation at 31 December 2007</b>	<u><b>25</b></u>

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

	<u>2007</u>	<u>2006</u>
Discount rate	5.7 %	6 %
Future salary increases	6 %	6 %

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Retirement benefit obligation	25	22	19	16
Experience adjustments on plan liabilities	-	-	-	-



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**12. Trade and other payables**

**12.1. Trade payables**

	2007	2006
Trade payables to domestic suppliers	620	146
Trade payables to foreign suppliers	11	12
	<b>631</b>	<b>158</b>

**12.2. Other payables**

	2007	2006
Unused paid leave	57	33
Payables to employees	30	20
Payroll taxes	11	5
Insurance premium payable	7	18
Social security	2	17
Other taxes	1	2
Other payables	20	4
	<b>128</b>	<b>99</b>

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 S.A., 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, Cyprus, holding 99.99% of its shares. The ultimate parent of Zlatna Panega Cement AD is Titan Cement Company S.A., Greece.

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**13. Related party disclosures (continued)**

*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., Greece.

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

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

		<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>
<b>In respect of sales / purchases from related party</b>					
<i>Entity with controlling interest in the Company</i>					
Zlatna Panega Cement AD	2007	357	4,052	11	553
Zlatna Panega Cement AD	2006	427	3,897	24	573
<i>Other related parties</i>					
Granitoid AD	2007	-	-	-	-
Granitoid AD	2006	-	-	-	1
Holcim karierni materiali AD, Sofia	2007	-	465	-	56
Holcim karierni materiali AD, Sofia	2006	-	315	-	63
Karieri AD, Plovdiv	2007	-	421	-	36
Karieri AD, Plovdiv	2006	-	145	-	9
	2007			<u>11</u>	<u>645</u>
	2006			<u>24</u>	<u>646</u>

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**13. Related party disclosures (continued)**

		<u>Interest income</u>	<u>Interest expense</u>	<u>Amounts owed from related parties</u>	<u>Amounts owed to related parties</u>
<b>In respect of loans from related party</b>					
<i>Entity with controlling interest in the Company</i>					
Zlatna Panega Cement AD	2007	-	61	-	3,883
Zlatna Panega Cement AD	2006	-	13	-	559

**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 (except for loans) 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 2007, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2006: Nil). This assessment is undertaken each financial year by 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*

As at 31 December 2007 Zlatna Panega Beton EOOD has an outstanding loan from its sole owner Zlatna Panega Cement AD of EUR 3,883 thousand (2006: EUR 559 thousand). It is intended to finance the capital expenditure of the Company. The loan is unsecured and is repayable within one year. Interest is charged at 1 M Sofibor rate plus spread of 0.65%.

**Compensation of key management personnel**

	<u>2007</u>	<u>2006</u>
Short-term employee benefits	<u>99</u>	<u>91</u>
	<u><b>99</b></u>	<u><b>91</b></u>

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**14. Commitments and contingencies**

**Capital commitments**

	<u>2007</u>	<u>2006</u>
Equipment for ready-mix production	944	28
	<u>944</u>	<u>28</u>

As of 31 December 2007 the capital commitments relate mainly to the following projects: New RMC Plant Veliko Tarnovo of EUR 401 thousand, Suhodol RMC plant of EUR 220 thousand, New RMC Voenna Rampa of EUR 230 thousand and Repair workshop of EUR 93 thousand. As of 31 December 2006 the capital commitments related mainly to engineering of site for RMC of EUR 16 thousand and other equipment of EUR 12 thousand.

**Guarantees**

The Company has provided no guarantees as of 31 December 2007 and 31 December 2006.

**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>2007</u>	<u>2006</u>
Within one year	47	18
After one year but not more than five years	58	44
More than five years	-	-
	<u>105</u>	<u>62</u>

**Legal claims**

According to the management of the Company there are no significant legal claims against the entity.

**Other**

The Company was 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 2007, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

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**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 and capital commitment activities. The Company has various financial assets such as trade receivables and cash, which arise directly from its operations.

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

*Interest rate risk*

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term loans from related parties with floating interest rates. This interest rate risk is managed at the parent company level.

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

	Increase/ decrease in basis points	Effect on profit before tax
<b>2007</b>		
Loans in BGN	+200	(21)
Loans in BGN	-100	10
<b>2006</b>		
Loans in BGN	+200	(5)
Loans in BGN	-100	2

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**15. Financial risk management objectives and policies (continued)**

*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.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

**Year ended 31 December 2007**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	631	-	-	-	631
Other payables	-	128	-	-	-	128
Payables to related parties	-	663	3,865	-	-	4,528
	<u>-</u>	<u>1,422</u>	<u>3,865</u>	<u>-</u>	<u>-</u>	<u>5,287</u>

**Year ended 31 December 2006**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	158	-	-	-	158
Other payables	-	99	-	-	-	99
Payables to related parties	-	649	556	-	-	1,205
	<u>-</u>	<u>906</u>	<u>556</u>	<u>-</u>	<u>-</u>	<u>1,462</u>

*Foreign exchange risk*

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

*Credit risk*

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. The maximum exposure is the carrying amount as disclosed in Note 8.1. There are no significant concentrations of credit risk within the Company.

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.

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**15. Financial risk management objectives and policies (continued)**

*Capital management*

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the sole owner, return capital to the sole owner or issue new shares, following sole owner's approval. No changes were made in the objectives, policies or processes during the years end 31 December 2007 and 31 December 2006.

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

	<u>2007</u>	<u>2006</u>
<b>EBITDA</b>	<u><u>507</u></u>	<u><u>1,104</u></u>

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

**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 realized.

The management of Zlatna Panega Beton EOOD 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.

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**16. Financial instruments (continued)**

**Fair values (continued)**

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	<i>Carrying amount</i>		<i>Fair value</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<i>Financial assets</i>				
Trade receivables	1,755	1,165	1,755	1,165
Other receivables	77	79	77	79
Receivables from related parties	11	24	11	24
Cash and short-term deposits	52	56	52	56
<i>Financial liabilities</i>				
Trade payables	631	158	631	158
Other payables	128	99	128	99
Payables to related parties	4,528	1,205	4,528	1,205

**17. Events after the balance sheet date**

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