



**ZLATNA PANEGA BETON EOOD**

**ANNUAL FINANCIAL STATEMENTS**

**31 December 2008**

# ZLATNA PANEGA BETON EOOD

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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 2008

(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 2008. 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 2008 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 252,700 cubic meters concrete;
- The substitution of the technical equipment of Ready Mix Concrete Unit Voenna Rampa in Sofia made necessary the purchase of 27,304 cubic meters concrete from external companies because of the small capacity for the months June, July and August.;
- The increase of the price of the transportation services in Sofia by 6 %.
- Strengthen collection policy and thus, increase of cash receipts after October 2008, following the World Financial Crisis.

#### Share capital structure

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

As at 31 December 2008 Zlatna Panega Beton EOOD has no subsidiaries and associates.

### OBJECTIVES OF THE COMPANY FOR 2009

- Keeping annual of sales to 304,000 cubic meters in Sofia, Plovdiv and Veliko Turnovo .
- Keeping of the market share in the conditions of extreme decreased Construction market and reduction of the transportation cost in Sofia.
- Decrease of the variable and the fixed cost of the company.

**ZLATNA PANEGA BETON EOOD  
DIRECTORS' REPORT**

For the year ended 31 December 2008

(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 2008.

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 2008 end and of the profit or loss and cash-flows for the 2008.

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 2008.

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  
29 January 2009



## Independent Auditors' Report

To the sole owner

of Zlatna Panega Beton EOOD

We have audited the accompanying financial statements of Zlatna Panega Beton EOOD, which comprise the balance sheet as of 31 December 2008, 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 Panega Beton EOOD as of 31 December 2008, 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.

A handwritten signature in blue ink that reads 'Ernst & Young' in a cursive script.

Ernst & Young Audit OOD

Sofia, Bulgaria

30 January 2009

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

For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	<u>Notes</u>	<u>2008</u>	<u>2007</u>
Sales of goods		11,832	8,432
Rendering of services		<u>3,546</u>	<u>1,985</u>
<b>Revenue</b>		<b>15,378</b>	<b>10,417</b>
Cost of sales	3.1	<u>(15,101)</u>	<u>(10,011)</u>
<b>Gross profit</b>		<b>277</b>	<b>406</b>
Other income	3.7	146	177
Selling and distribution costs	3.2	(177)	(149)
Administrative expenses	3.3	(533)	(454)
Other expenses	3.4	<u>(52)</u>	<u>(39)</u>
<b>Operating loss</b>		<b>(339)</b>	<b>(59)</b>
Finance costs	3.8	<u>(275)</u>	<u>(66)</u>
<b>Loss before tax</b>		<b>(614)</b>	<b>(125)</b>
Income tax (expense)/ income	4	(8)	12
<b>Loss for the year</b>		<u><b>(622)</b></u>	<u><b>(113)</b></u>



Emil Braychev  
Executive Director

The accompanying notes to the annual financial statements on pages 7 to 35 form an integral part of these financial statements.



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

As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	8,807	6,890
Intangible assets	6	38	62
		<u>8,845</u>	<u>6,952</u>
<b>Current assets</b>			
Inventories	7	227	152
Trade receivables	8.1	3,111	1,755
Other receivables	8.2	49	77
Receivables from related parties	15	23	11
Prepayments		-	140
Income tax receivables		43	43
Cash and cash equivalents	9	3	52
		<u>3,456</u>	<u>2,230</u>
<b>TOTAL ASSETS</b>		<u>12,301</u>	<u>9,182</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	10	3,564	3,564
(Accumulated losses)/ Retained earnings		(416)	206
<b>Total equity</b>		<u>3,148</u>	<u>3,770</u>
<b>Non-current liabilities</b>			
Retirement benefit liability	11	31	25
Deferred tax liability	4	16	8
		<u>47</u>	<u>33</u>
<b>Current liabilities</b>			
Interest bearing loans to banks	12	4,870	-
Trade payables	13.1	490	631
Other payables	13.2	157	128
Advances received	14	654	92
Payables to related parties	15	2,935	4,528
		<u>9,106</u>	<u>5,379</u>
<b>Total liabilities</b>		<u>9,153</u>	<u>5,412</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>12,301</u>	<u>9,182</u>

Emil Braychev  
Executive Director

The accompanying notes to the annual financial statements on pages 7 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 2008

(All amounts in EUR thousand unless otherwise stated)

	<u>Issued capital (note 10)</u>	<u>Retained earnings/ (Accumulated losses)</u>	<u>Total</u>
At 1 January 2007	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>
At 1 January 2008	3,564	206	3,770
Loss for the year	-	(622)	(622)
<b>At 31 December 2008</b>	<b>3,564</b>	<b>(416)</b>	<b>3,148</b>

Emil Braychev  
Executive Director



The accompanying notes to the annual financial statements on pages 7 to 35 form an integral part of these financial statements.

**ZLATNA PANEKA BETON EOOD****CASH FLOW STATEMENT**

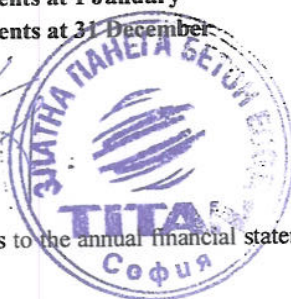
For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
<b>OPERATING ACTIVITIES</b>			
<b>Loss before tax</b>		<b>(614)</b>	<b>(125)</b>
Adjustments to reconcile loss before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	5	633	550
Amortisation of intangible assets	6	27	16
Loss on disposal of property, plant and equipment		1	12
Movement in doubtful debt allowance		(8)	(40)
Movement in retirement benefit liability	11	6	3
Finance cost	3.8	275	66
Working capital adjustments:			
Increase in inventories		(75)	(50)
Increase in trade and other receivables		(1,332)	(539)
Decrease in prepayments		-	132
Increase in trade and other payables		2,740	330
Income tax paid		-	(112)
<b>Net cash flows from operating activities</b>		<b>1,653</b>	<b>243</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		2	
Purchase of property, plant and equipment	5	(2,412)	(3,437)
Purchase of intangible assets	6	(4)	(69)
Interest received		-	1
<b>Net cash flows used in investing activities</b>		<b>(2,414)</b>	<b>(3,505)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings to related parties		501	3,529
Repayment of borrowings to related parties		(4,366)	(220)
Proceeds from borrowings to banks		25,735	-
Repayment of borrowings to banks		(20,865)	-
Interest paid		(293)	(51)
<b>Net cash flows from financing activities</b>		<b>712</b>	<b>3,258</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(49)</b>	<b>(4)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>52</b>	<b>56</b>
<b>Cash and cash equivalents at 31 December</b>	9	<b>3</b>	<b>52</b>

Emil Braychey  
Executive Director

The accompanying notes to the annual financial statements on pages 7 to 35 form an integral part of these financial statements.



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

As of 31 December 2008

(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 2008 were authorized for issue in accordance with a decision of the Executive Director on 29 January 2009.

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 financial year ends 31 December.

The principal activities of the Company include production and sale of concrete. The Company operates five concrete plants in Sofia, Plovdiv and Veliko Turnovo.

As of 31 December 2008 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 purposes.

**Going concern**

The Company's financial statements have been prepared on a going concern basis.

For 2008 the Company incurred net loss of EUR 622 thousand (2007: EUR 113 thousand) and its current liabilities exceed its current assets by EUR 5,650 thousand as of 31 December 2008. This may cast doubts as regards its ability to continue its activities as a going concern. The future viability of the Company depends upon the business environment as well as upon the continuing support of the sole owner and providers of finance. The management analyzed the Ability of Zlatna Panega Beton EOOD to continue operations in the near future and have taken measures to strengthen its position by obtaining financial support from the parent company and other related parties. The Company has been provided with binding letter of support from the parent company, stating that adequate funds and full support would be provided to enable the Company to continue operations at least until the next twelve-month period.

The management, in light of their assessment of expected future cash flows and continued financial support from the parent entity believe that the Company will continue its operations and settle its obligations in the ordinary course of business, without substantial dispositions of assets, externally forced revisions of its operations or similar actions.

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

As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

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

### **New and amended standards and interpretations effective for reporting periods ended 31 December 2008**

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

The Company has adopted the following IFRIC interpretations as of 1 January 2008. Adoption of these interpretations did not have any effect on the financial performance or position of the Company.

- IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*
- IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The principal effect of these changes is as follows:

#### *IFRIC 11 IFRS 2 – Group and Treasury Share Transactions*

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, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. The Company has not issued, bought or been provided by shareholders with instruments caught by this interpretation.

#### *IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimum funding requirements and their Interaction*

IFRIC Interpretation 14 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. As the retirement benefit plan of the Company is unfunded, this interpretation has no impact on it.

## **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 2008 is EUR 31 thousand (2007: EUR 25 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. Further details are provided in note 5 and note 6.

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

As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

**2.3. Significant accounting judgements, estimates and assumptions (continued)**

*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. At 31 December 2008 the best estimate of the provision for impairment of receivables is EUR 11 thousand (2007: EUR 78 thousand). Further details are provided in note 8.1.

**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). In connection to the translation (from functional to presentation currency) no foreign exchange differences have arisen.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated on a monthly basis by applying the exchange rate published by the Bulgarian National Bank for the last working day of the respective month. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions.

**Property, plant and equipment**

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

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

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 derecognized.

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.

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

As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

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

**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/ or any accumulated impairment losses, if any.

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 derecognized.

**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 recognized. 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**

**Initial recognition**

Financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially, at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

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

**Financial assets (continued)**

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.

The Company's financial assets include cash and short term deposits, trade and other receivables.

**Subsequent measurement**

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

*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. 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.

**Financial liabilities**

**Initial recognition**

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

Financial liabilities are recognised initially, at fair value plus, and in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and interest bearing loans.

*Interest bearing loans and borrowings*

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

**Offsetting of financial instruments**

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

**Amortised cost of financial instruments**

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.



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

As of 31 December 2008

(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.

**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.

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**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 profit or loss.

**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.

**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.

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

**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 recognized.

**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.

*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.

*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.

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

**Revenue recognition (continued)**

*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.

*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.

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

As of 31 December 2008

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## **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 2009 or later periods but which the Company has not early adopted, as follows:

#### *IFRS 1 First-time Adoption (Amended) and IAS 27 Consolidated and Separate Financial Statements (Amended)*

Amendments to IFRS 1 and IAS 27 become effective for annual periods beginning on or after 1 January 2009. The amendments to IFRS 1 allow the cost of investments in subsidiaries, jointly controlled entities or associates (in the opening IFRS financial statements) to be determined as either cost in accordance with IAS 27 or deemed cost. The amended IAS 27 requires all dividends from subsidiaries, jointly controlled entities or associates to be recognized in profit or loss in separate financial statements. Further, it allows cost of an investment in a subsidiary, in limited reorganizations, to be based on the previous carrying amount of the subsidiary rather than its fair value. The Company does not expect these amendments to impact its separate financial statements.

#### *IFRS 2 Share-based Payments – Vesting Conditions and Cancellations*

This amendment to IFRS 2 Share-based Payments was issued in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of “vesting condition” to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. As the Company does not have share-based payment schemes, the amendment will not have impact on it.

#### *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Revised)*

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised IFRS 3 and the revised IAS 27 must be applied prospectively and will affect future acquisitions and transactions with minority interests. The revised standards have not yet been endorsed by the EU.

#### *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.

#### *Improvements to International Financial Reporting Standards (“IFRSs”) 2008.*

Improvements to IFRSs were issued on 22 May 2008 by the International Accounting Standards Board and is the first standard issued as part of its “Annual Improvements Process” and include a number of minor changes to various IFRSs. The amendments are made to specify the contents of the rules and eliminate unintended inconsistencies among the standards. Most of the amendments become effective for fiscal years starting on or after 1 January 2009. The impacts of the first-time application of these amendments on the Company’s financial statements are currently being reviewed.

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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*

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company is still evaluating whether it will have one or two statements.

*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 on or after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

*IAS 39 and IFRS 7, Reclassification of Financial Assets (Amended)*

The amendments were issued in October 2008 and become effective from 1 July 2008. The amendment to IAS 39 permits reclassification of non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category as well as transfer from the available-for-sale category to loans and receivables, in particular circumstances. The amendment to IFRS 7 requires specific disclosures in respect of the above reclassifications. The Company does not expect these amendments to impact its financial statements.

*Amendments to IAS 32 and IAS 1 Puttable Financial Instruments*

Amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Company does not expect these amendments to impact its financial statements.

*IFRIC 12 – Service Concession Arrangements*

The IFRIC issued IFRIC 12 in November 2006. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Company is not an operator and, therefore, this interpretation has no impact on it. IFRIC 12 has not been yet endorsed by EU.

*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.

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

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

#### *IFRIC 15 - Agreements for the Construction of Real Estate*

IFRIC 15 was issued on 3 July 2008 and is effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively. IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue' and, accordingly, when revenue from such construction should be recognised. This interpretation will have no impact on the Company's financial statements. IFRIC 15 has not yet been endorsed by the EU.

#### *IFRIC 16 - Hedges of a Net Investment in a Foreign Operation*

IFRIC 16 was issued on 3 July 2008 and is effective for annual periods beginning on or after 1 October 2008 and can be applied retrospectively or prospectively. IFRIC 16 clarifies three main issues, namely:

- A presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.
- Hedging instrument(s) may be held by any entity or entities within the group.
- Provides guidance on how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The interpretation concludes that while IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 must be applied in respect of the hedged item.

This interpretation will have no impact on the Company's financial statements. IFRIC 16 has not yet been endorsed by the EU.

#### *IFRIC 17 – Distributions of Non-cash Assets to Owners*

IFRIC 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009 and must be applied prospectively. IFRIC 17 applies to all non-reciprocal distributions of non-current assets to owners. It provides guidance when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability and consequences of doing so. The Company is in the process of assessing the impact of IFRIC 17 on its financial statements. This interpretation has not yet been endorsed by the EU.

#### *IFRIC Interpretation 18 - Transfers of Assets from Customers.*

The interpretation was issued in January 2009 and is effective for transfers of assets from customers received on or after 1 July 2009. IFRIC 18 applies to the accounting for transfers of items of property, plant and equipment by entities that receive such transfers from their customers and addresses the following issues: (a) Is the definition of an asset met?; (b) If the definition of an asset is met, how should the transferred item of property, plant and equipment be measured on initial recognition?; (c) If the item of property, plant and equipment is measured at fair value on initial recognition, how should the resulting credit be accounted for?; (d) How should the entity account for a transfer of cash from its customer? The Company does not expect this Interpretation to impact its financial statements. IFRIC 18 has not yet been endorsed by the EU.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**3. Expenses and other revenues**

**3.1. Cost of sales**

	<u>2008</u>	<u>2007</u>
<b>Variable costs</b>		
Cement	(6,015)	(4,018)
Aggregates	(3,640)	(2,580)
Cost of purchased concrete	(1,511)	(531)
Freight	(1,075)	(770)
Additives	(468)	(319)
Fuel and oil	(250)	(159)
Repair and maintenance	(53)	(43)
Electricity	(53)	(29)
Other variable costs	(234)	(172)
<b>Fixed costs</b>		
Plant salaries, wages and related expenses	(608)	(432)
Depreciation	(595)	(512)
Repair and maintenance cost	(74)	(86)
Plant utilities	(46)	(15)
Insurance and taxes	(41)	(31)
Contract labour	(32)	(51)
Amortisation	(27)	(13)
Other fixed costs	(379)	(250)
	<u><b>(15,101)</b></u>	<u><b>(10,011)</b></u>



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

As of 31 December 2008

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

**3.2. Selling and distribution costs**

	<u>2008</u>	<u>2007</u>
Salaries and related expenses	(121)	(106)
Advertising and promotion	(10)	(13)
Travel - entertainment	(4)	(2)
Repairs and maintenance	(2)	-
Other distribution costs	<u>(40)</u>	<u>(28)</u>
	<u><b>(177)</b></u>	<u><b>(149)</b></u>

**3.3. Administrative expenses**

	<u>2008</u>	<u>2007</u>
Salaries and related expenses	(286)	(232)
Car expenses	(43)	(64)
Depreciation	(38)	(38)
Insurance and taxes	(34)	(24)
Utilities	(18)	(18)
Consultancy fees	(17)	(18)
Travel - entertainment	(15)	(19)
Repairs and maintenance	(7)	(5)
Supplies	(7)	(7)
Audit fees	(5)	(9)
Amortisation	-	(3)
Other	<u>(63)</u>	<u>(17)</u>
	<u><b>(533)</b></u>	<u><b>(454)</b></u>

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

As of 31 December 2008

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

**3.4. Other expenses**

	<u>2008</u>	<u>2007</u>
Shortage and scrap of assets	(9)	-
Employee unused leave accrual	(8)	(18)
Retirement benefit charge	(6)	-
Expenses pertaining to disposals of fixed assets	(3)	(7)
Provisions for impairment of trade receivables (note 8.1)	-	(3)
Other	(26)	(11)
	<u><b>(52)</b></u>	<u><b>(39)</b></u>

**3.5. Expenses by nature**

	<u>2008</u>	<u>2007</u>
Materials used and recognized as an expenses	(12,233)	(7,889)
Hired services	(1,771)	(1,305)
Depreciation (note 5)	(633)	(550)
Amortisation (note 6)	(27)	(16)
Employee benefits expense (note 3.6)	(1,029)	(790)
Other	(170)	(103)
	<u><b>(15,863)</b></u>	<u><b>(10,653)</b></u>

**3.6. Employee benefits expense**

	<u>2008</u>	<u>2007</u>
Wages and salaries	(840)	(650)
Social security costs	(155)	(114)
Retirement benefits (note 11)	(6)	(3)
Other related expenses	(28)	(23)
	<u><b>(1,029)</b></u>	<u><b>(790)</b></u>

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

As of 31 December 2008

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

**3.7. Other income**

	<u>2008</u>	<u>2007</u>
Rental income	72	71
Income from the sales of scrap and materials	28	4
Reversal of provisions from prior years (note 8.1)	8	44
Surplus of assets	9	-
Penalties for delayed payments	9	21
Other	<u>20</u>	<u>37</u>
	<b><u>146</u></b>	<b><u>177</u></b>

**3.8 Finance costs**

	<u>2008</u>	<u>2007</u>
Interest expense calculated using the effective interest method for financial liabilities carried at amortised cost:		
Bank loans and overdrafts	(153)	
Loans received from related parties (note 15)	(115)	(61)
Fee expense (other than amounts included in determining the effective interest rate) arising from financial liabilities carried at amortised cost	<u>(7)</u>	<u>(5)</u>
	<b><u>(275)</u></b>	<b><u>(66)</u></b>

**4. Income tax**

The major components of income tax (expense)/ benefit for the years ended 31 December 2008 and 2007 are:

	<u>2008</u>	<u>2007</u>
Current income tax charge	-	-
Deferred income tax (charge)/benefit	<u>(8)</u>	<u>12</u>
<b>Income tax (expense)/ benefit reported in the income statement</b>	<b><u>(8)</u></b>	<b><u>12</u></b>

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

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**4. Income tax (continued)**

In 2008 the nominal statutory tax rate is 10% (2007: 10%).

A reconciliation between income tax (expense)/ benefit and the result of accounting loss multiplied by the statutory tax rate for the years ended 31 December 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Accounting loss before income tax	<b>(614)</b>	<b>(125)</b>
Income tax expense at statutory tax rate of 10 % for 2008 (2007: 10%)	61	13
Expenses not deductible for tax purposes	(12)	(1)
Tax losses for which no deferred income tax asset was recognised	(49)	-
Other	<u>(8)</u>	<u>-</u>
<b>Income tax (expense)/ benefit</b>	<b><u>(8)</u></b>	<b><u>12</u></b>

Deferred income tax at 31 December relates to the following:

	<u>Balance sheet</u>		<u>Income Statement</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	(27)	(28)	1	9
<i>Deferred tax asset</i>				
Unused leave allowance	1	6	(5)	2
Tax loss carry forward	-	3	(3)	3
Retirement benefits	3	3	-	1
Provision for impairment of receivables	<u>7</u>	<u>8</u>	<u>(1)</u>	<u>(3)</u>
	11	20		
Deferred tax (expense) / benefit			<u><b>(8)</b></u>	<u><b>12</b></u>
<b>Deferred tax liability, net</b>	<b><u>(16)</u></b>	<b><u>(8)</u></b>		

The Company has incurred tax losses as follows,

<u>Tax period</u>	<u>Period for utilisation of tax losses carried forward</u>	<u>2008</u>	<u>2007</u>
2008	2009 through 2013	460	-
2007	2008 through 2012	25	-
Applicable tax rate		<u>10%</u>	<u>10%</u>
Unrecognized deferred tax asset		<u><b>49</b></u>	<u>-</u>

Tax losses incurred are available for offset against future taxable profits within five-year period, as mentioned above. Since the amounts and timing of future taxable income cannot be estimated reliably due to the uncertainties in the Company's economic environment, no deferred tax asset has been recognized for the tax losses carried forward as at 31 December 2008.

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**NOTES TO THE FINANCIAL STATEMENTS**

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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 2007	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)
At 31 December 2007	3,320	2,974	3,147	150	487	10,078
Additions	137	215	-	27	2,172	2,551
Transfers	372	1,190	14	73	(1,649)	-
Disposals	-	-	-	(1)	-	(1)
At 31 December 2008	<b>3,829</b>	<b>4,379</b>	<b>3,161</b>	<b>249</b>	<b>1,010</b>	<b>12,628</b>
<b>Depreciation and impairment:</b>						
At 1 January 2007	334	916	1,341	53	-	2,644
Depreciation charge for the year	53	262	219	16	-	550
Disposals	-	(6)	-	-	-	(6)
At 31 December 2007	387	1,172	1,560	69	-	3,188
Depreciation charge for the year	65	264	272	32	-	633
Disposals	-	-	-	-	-	-
At 31 December 2008	<b>452</b>	<b>1,436</b>	<b>1,832</b>	<b>101</b>	<b>-</b>	<b>3,821</b>
<b>Net book value:</b>						
At 1 January 2007	<b>1,515</b>	<b>503</b>	<b>1,189</b>	<b>34</b>	<b>908</b>	<b>4,149</b>
At 31 December 2007	<b>2,933</b>	<b>1,802</b>	<b>1,587</b>	<b>81</b>	<b>487</b>	<b>6,890</b>
At 31 December 2008	<b>3,377</b>	<b>2,943</b>	<b>1,329</b>	<b>148</b>	<b>1,010</b>	<b>8,807</b>

*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:

	2008	2007
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

*Assets under construction*

Assets under construction include mainly uncompleted ready-mix plants in Sofia, Pazardjik and Stara Zagora. The management decided to postpone their completion to 2010 after all necessary permits were obtained.

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**6. Intangible assets**

	<u>Licences</u>	<u>Computer software</u>	<u>Total</u>
<b>Cost:</b>			
At 1 January 2007	21	2	23
Additions	-	69	69
Disposals	-	-	-
At 31 December 2007	<u>21</u>	<u>71</u>	<u>92</u>
Additions	4	-	4
Disposals	-	(1)	(1)
<b>At 31 December 2008</b>	<b><u>25</u></b>	<b><u>70</u></b>	<b><u>95</u></b>
<b>Depreciation and impairment:</b>			
At 1 January 2007	12	2	14
Depreciation charge for the year	4	12	16
Disposals	-	-	-
At 31 December 2007	<u>16</u>	<u>14</u>	<u>30</u>
Depreciation charge for the year	4	23	27
Disposals	-	-	-
<b>At 31 December 2008</b>	<b><u>20</u></b>	<b><u>37</u></b>	<b><u>57</u></b>
<b>Net book value:</b>			
At 1 January 2007	<u>9</u>	<u>-</u>	<u>9</u>
At 31 December 2007	<u>5</u>	<u>57</u>	<u>62</u>
<b>At 31 December 2008</b>	<b><u>5</u></b>	<b><u>33</u></b>	<b><u>38</u></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:

	<u>2008</u>	<u>2007</u>
Licences	3 to 15 years	3 to 15 years
Computer software	5 years	5 years

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**7. Inventories**

	<u>2008</u>	<u>2007</u>
Raw materials (at cost)	227	152
	<b><u>227</u></b>	<b><u>152</u></b>

**8. Trade and other receivables**

**8.1. Trade receivables**

	<u>2008</u>	<u>2007</u>
Trade receivables	3,111	1,755
Receivables under court procedure	11	78
Less: Provision for impairment	<u>(11)</u>	<u>(78)</u>
<b>Trade receivables, net</b>	<b><u>3,111</u></b>	<b><u>1,755</u></b>

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

As at 31 December 2008, trade receivables at nominal value of EUR 11 thousand (2007: EUR 78 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 2007	<b>118</b>
Charge for the year (note 3.4)	3
Reversed	<u>(43)</u>
<b>At 31 December 2007</b>	<b><u>78</u></b>
At 1 January 2008	<b>78</b>
Charge for the year (note 3.4)	-
Reversed	(8)
Utilised	<u>(59)</u>
<b>At 31 December 2008</b>	<b><u>11</u></b>

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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
2008	3,111	831	973	639	568	10	90
2007	1,755	966	288	193	115	61	132

**8.2. Other receivables**

	2008	2007
Deferred expenses	34	36
VAT receivable	-	19
Other receivables	15	22
	<u>49</u>	<u>77</u>

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

**9. Cash and cash equivalents**

	2008	2007
Cash in hand	1	3
Cash at bank	2	49
	<u>3</u>	<u>52</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2008 the fair value of cash is EUR 3 thousand (2007: EUR 52 thousand).

**10. Issued capital**

	2008	2007
Shares of EUR 5 each, as per court registration	3,564	3,564
	<u>3,564</u>	<u>3,564</u>

	Number of shares (thousands)	Authorized capital
At 1 January 2007	697	3,564
At 1 January 2008	697	3,564
At 31 December 2008	<u>697</u>	<u>3,564</u>

All shares issued were fully paid.



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**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>2008</u>	<u>2007</u>
<b>Net benefits expense</b>		
Current service cost	(5)	(2)
Interest cost	<u>(1)</u>	<u>(1)</u>
<b>Net benefit expense recognised in the income statement (note 3.6)</b>	<b><u>(6)</u></b>	<b><u>(3)</u></b>

**Benefit liability**

	<u>2008</u>	<u>2007</u>
Present value of defined benefit obligation	<u>31</u>	<u>25</u>
<b>Benefit liability recognised in the balance sheet</b>	<b><u>31</u></b>	<b><u>25</u></b>

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

	<u>Amount</u>
Retirement benefit obligation at 1 January 2007	22
Interest cost	1
Current service cost	<u>2</u>
<b>Retirement benefit obligation at 31 December 2007</b>	<b><u>25</u></b>
Interest cost	1
Current service cost	<u>5</u>
<b>Retirement benefit obligation at 31 December 2008</b>	<b><u>31</u></b>

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

	<u>2008</u>	<u>2007</u>
Discount rate	6%	5.7%
Future salary increases	10%	6%

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Retirement benefit obligation	31	25	22	19	16
Experience adjustment on plan liabilities	-	-	-	-	-

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**12. Interest bearing loans to bank**

	Effective interest rate %	Maturity	2008	2007
<b>Current</b>				
(1) Overdraft facility with limit of BGN 10,000 thousand	1M Sofibor +0.95 %	January 2009	4,870	-
			<b>4,870</b>	<b>-</b>

Overdraft facility concluded with Societe General Expressbank for a limit of BGN 10,000 thousand (EUR 5,113 thousand). The facility is secured by a Letter of Comfort issued by Titan Cement S.A.

As at 31 December 2008, the Company has available EUR 243 thousand undrawn committed borrowing facilities in respect of which all precedent conditions had been met.

**13. Trade and other payables**

**13.1. Trade payables**

	2008	2007
Trade payables to domestic suppliers	440	620
Trade payables to foreign suppliers	50	11
	<b>490</b>	<b>631</b>

**13.2. Other payables**

	2008	2007
Unused paid leave	65	57
Payables to employees	35	30
VAT payable	28	-
Social security	14	2
Insurance premium payable	7	7
Payroll taxes	4	11
Other taxes	1	1
Other payables	3	20
	<b>157</b>	<b>128</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.

**14. Advances received**

	2008	2007
Advance received from clients	143	92
Advances received from related parties (note 15)	511	-
	<b>654</b>	<b>92</b>

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**15. 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.

*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.

Holcim karierni materiali Plovdiv 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	2008	233	6,050	23	3,354
Zlatna Panega Cement AD	2007	357	4,052	11	553
<i>Other related parties</i>					
Granitoid AD	2008	-	3	-	-
Granitoid AD	2007	-	-	-	-
Holcim karierni materiali AD, Sofia	2008	-	359	-	41
Holcim karierni materiali AD, Sofia	2007	-	465	-	56
Holcim karierni materiali Plovdiv AD	2008	-	643	-	51
Holcim karierni materiali Plovdiv AD	2007	-	421	-	36
	2008			<u>23</u>	<u>3,446</u>
	2007			<u>11</u>	<u>645</u>

As of 31 December 2008 included in amount owed to related parties is an advance received from parent company Zlatna Panega Cement AD of EUR 511 thousand (note 14).

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**15. 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	2008	-	115	-	-
Zlatna Panega Cement AD	2007	-	61	-	3,883

**Terms and conditions of transactions with related parties**

The sales and purchases from related parties are made at contracted prices. Outstanding balances at year-end are unsecured, interest free (except for loans) and settlement occurs in cash, except as disclosed in note 12. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2008, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (2007: 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 2008 Zlatna Panega Beton EOOD has fully repaid the outstanding loan from its sole owner Zlatna Panega Cement AD (2007: EUR 3,883 thousand). The loan was unsecured and born interest at 1 m Sofibor plus 0.65%.

**Compensation of key management personnel**

	<u>2008</u>	<u>2007</u>
Short-term employee benefits	<u>131</u>	<u>99</u>
	<u><b>131</b></u>	<u><b>99</b></u>

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**16. Commitments and contingencies**

**Capital commitments**

	<u>2008</u>	<u>2007</u>
Equipment for ready-mix production	-	944
	<u>-</u>	<u>944</u>

**Guarantees**

The Company has provided no guarantees as of 31 December 2008 and 31 December 2007.

**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>2008</u>	<u>2007</u>
Within one year	38	47
After one year but not more than five years	42	58
More than five years	-	-
	<u>80</u>	<u>105</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 2008, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

**ZLATNA PANEGA BETON EOOD**  
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**17. Financial risk management objectives and policies**

The Company's principal financial liabilities comprise bank loans, 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 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 loss before tax (through the impact on the floating rate borrowings). There is no impact on the Company's equity

	<u>Increase/ decrease in basis points</u>	<u>Effect on loss before tax</u>
<b>2008</b>		
Loans in BGN	+200	(70)
Loans in BGN	-100	35
<b>2007</b>		
Loans in BGN	+200	(21)
Loans in BGN	-100	10

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**17. 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 and extended credit terms of cement purchases.

The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2008 based on contractual undiscounted payments.

**As of 31 December 2008**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans to banks	-	4,870	-	-	-	4,870
Payables to related parties	-	2,141	794	-	-	2,935
Trade payables	-	490	-	-	-	490
Other payables	-	157	-	-	-	157
	<u>-</u>	<u>7,658</u>	<u>794</u>	<u>-</u>	<u>-</u>	<u>8,452</u>

**As of 31 December 2007**

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Payables to related parties	-	663	3,865	-	-	4,528
Trade payables	-	631	-	-	-	631
Other payables	-	128	-	-	-	128
	<u>-</u>	<u>1,422</u>	<u>3,865</u>	<u>-</u>	<u>-</u>	<u>5,287</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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**17. 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 2008 and 31 December 2007.

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

	<u>2008</u>	<u>2007</u>
<b>EBITDA</b>	<b><u>321</u></b>	<b><u>507</u></b>

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.

**18. 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, interest bearing loans to banks, 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.

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

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