



ZLATNA PANEGA CEMENT AD

ANNUAL FINANCIAL STATEMENTS

31 December 2008

General Information.....	i
Directors' Report	ii
Independent Auditors' Report to the Shareholders of Zlatna Panega Cement AD	1
Income Statement.....	3
Balance Sheet.....	4
Statement of Changes in Equity	5
Cash Flow Statement.....	6
Notes to the Financial Statements	
1. Corporate information.....	7
2.1 Basis of preparation	7
2.2 Changes in accounting policies and disclosures.....	8
2.3 Significant accounting judgements, estimates and assumptions.....	9
2.4 Summary of significant accounting policies.....	9
2.5 Future changes in accounting policies.....	17
3. Expenses and other revenues	20
4. Income tax.....	24
5. Property, plant and equipment	26
6. Intangible assets	27
7. Investments	28
8. Other financial assets	28
9. Inventories	29
10. Trade and other receivables	29
11. Prepayments.....	30
12. Cash and short-term deposits	30
13. Issues capital and reserves	30
14. Interest bearing loans	31
15. Restoration provision.....	32
16. Retirement benefits	33
17. Trade and other payables	34
18. Related party disclosures	35
19. Dividends distributed	38
20. Commitments and contingencies.....	38
21. Financial risk management objectives and policies	39
22. Financial instruments	42
23. Events after the balance sheet date.....	42

Directors

Alexandar Nakov Chakmakov
Michalis Sigalas
Giorgos Moschopoulos
Konstantinos Derdemezis
Fokion Tasoulas
Ioannis Georgakakis

Registered office

Zlatna Panega Village, Lovech District,
No 2 Shipka Street.

Solicitors

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

Bankers

Bulgarian Post Bank – Lovech Branch
Alpha Bank – Sofia
Societe General – Expressbank, Sofia
BNP Paribas

Auditors

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

ZLATNA PANEGA CEMENT AD
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 as adopted by the European Union for the year ended 31 December 2008. These financial statements have been audited by Ernst and Young Audit OOD.

GENERAL INFORMATION

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

BUSINESS DESCRIPTION

Current year results

The results of the current year activities are seen as positive since the profit before tax of the Company amounted to EUR 44,875 thousand while the budgeted profit before tax was set at approximately EUR 40,289 thousand. The Company generated the abovementioned level of profits because the actual cement sales, in quantities, exceeded budgeted quantities by 207 thousand tons.

During 2008 the Company sold 1,497 thousand tons of cement (2007: 1,239 thousand tons). The increase of the quantities sold and the increased average annual ex-works selling prices contributed for the increase of revenue for the current year by EUR 32,433 thousand.

Due to the finalized maintenance program for Kiln 4, the Company produced 1,014 thousand tons of clinker (2007: 858 thousand tons). Due to the high volume of sales, the Company purchased 142 thousand tons of clinker in 2007 (2007: 93 thousand tons) from related parties, as the clinker consumption increased to 1,102 thousand tons (2007: 947 thousand tons). The increased production of the semi-finished product (clinker) and cement, together with the increased prices of fuels during 2008 contributed to the increase of cost of sales for 2008 to EUR 72,745 thousand (2007: EUR 51,550 thousand).

Dividends and distribution of profits

At the General Meeting of the Shareholders held on 17 June 2008, a decision was taken to distribute dividends of EUR 31,254 thousand. These dividends were paid in full as of 31 December 2008.

Share capital structure

Shareholders	Percentage	Number of shares (thousands)	Nominal value (thousands)
REA Cement Limited, Cyprus	99.99	32,169,338	16,448
Individuals and State of Bulgaria	0.01	3,689	2

Investments

As at 31 December 2008 Zlatna Panega Cement AD holds interests in the following subsidiaries and associates:

The Company is 100% owner of Zlatna Panega Beton EOOD and Gravel and Sand Pits Bulgaria EAD ("GSPB"). These investments are carried at cost as at 31 December 2008. Through GSPB, the Company has an interest of 48.77% in the capital of Holcim Karierni Materiali Sofia AD, a 48.72% interest in Holcim Karierni Materiali Plovdiv AD and a 100% interest in Double V Co Ltd., Ruse.

In addition, the Company has an 8% participation in Granitoid AD (the majority shares of which are owned by REA Cement Limited).

**ZLATNA PANEGA CEMENT AD
DIRECTORS' REPORT**

For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

OBJECTIVES OF THE COMPANY FOR 2009

The Directors are set to achieve the following objectives for 2009:

- annual sales of cement to reach 1.5 million tons, provided that there is a positive economic growth in the country;
- maintain the present position in the market.

We look optimistically at the future of Zlatna Panega Cement AD and believe that if management exercises proper control over the business, this will lead to improvement of the performance of the Company.

CORPORATE GOVERNANCE

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

As at 31 December 2008 the Board of Directors consists of:

1. Alexander Nakov Chakmakov
2. Mihalis Sigalas
3. Konstantinos Derdemezis
4. Fokion Tasoulas
5. Ioannis Georgakakis

Alexander Nakov Chakmakov is the Company's Executive Director.

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 then ended.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the 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.

Alexandar Chakmakov
Executive director

Zlatna Panega Cement AD
Zlatna Panega

29 January 2009



Independent Auditors' Report

To the shareholders

of Zlatna Panega Cement AD

We have audited the accompanying financial statements of Zlatna Panega Cement AD, 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 Cement AD 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 CEMENT AD
INCOME STATEMENT
For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
Sale of cement products		109,018	80,315
Rendering of transport services		15,078	11,348
Revenue		124,096	91,663
Cost of sales	3.1	(72,745)	(51,550)
Gross profit		51,351	40,113
Other income	3.7	486	469
Selling and distribution costs	3.2	(618)	(568)
Administrative expenses	3.3	(4,127)	(3,449)
Other expenses	3.4	(749)	(880)
Operating profit		46,343	35,685
Finance income	3.8	380	176
Finance costs	3.9	(1,848)	(1,047)
Profit before tax		44,875	34,814
Income tax income/(expense)	4	883	(3,503)
Profit for the year		45,758	31,311

Chief Executive Officer
Alexander Chakmakov



The accompanying notes to the annual financial statements on pages 7 to 42 form an integral part of these financial statements.

ZLATNA PANEGA CEMENT AD
BALANCE SHEET
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
ASSETS			
Non-current assets			
Property, plant and equipment	5	72,024	67,640
Intangible assets	6	128	67
Investments in subsidiaries	7.1	3,633	3,633
Available-for-sale investments	7.2	21	21
Other financial assets	8	53	44
		<u>75,859</u>	<u>71,405</u>
Current assets			
Inventories	9	16,440	9,184
Trade receivables	10	8,992	6,981
Other receivables		60	103
Receivables from related parties	18	2,885	6,803
Prepayments	11	1,979	1,120
Income tax receivables		1,562	-
Cash and short-term deposits	12	39	69
		<u>31,957</u>	<u>24,260</u>
TOTAL ASSETS		<u>107,816</u>	<u>95,665</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	13.1	28,602	28,602
Legal reserve	13.2	1,645	1,645
Retained earnings		45,879	31,375
Total equity		<u>76,126</u>	<u>61,622</u>
Non-current liabilities			
Interest-bearing loans	14	-	12,271
Restoration provision	15	1,767	1,583
Retirement benefit liability	16	193	183
Deferred tax liability	4	949	626
		<u>2,909</u>	<u>14,663</u>
Current liabilities			
Trade payables	17.1	3,738	4,934
Other payables	17.2	1,530	1,323
Interest-bearing loans	14	22,951	11,667
Payables to related parties	18	562	179
Income tax payable		-	1,277
		<u>28,781</u>	<u>19,380</u>
Total liabilities		<u>31,690</u>	<u>34,043</u>
TOTAL EQUITY AND LIABILITIES		<u>107,816</u>	<u>95,665</u>

Chief Executive Officer
Alexander Chakmakov

The accompanying notes to the annual financial statements on pages 7 to 42 form an integral part of these financial statements.



ZLATNA PANEGA CEMENT AD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Issued capital (note 13.1)	Legal reserve (note 13.2)	Retained earnings	Total
At 1 January 2007	28,602	1,645	18,817	49,064
Profit for the year	-	-	31,311	31,311
Distribution of dividends (note 19)	-	-	(18,753)	(18,753)
At 31 December 2007	28,602	1,645	31,375	61,622
At 1 January 2008	28,602	1,645	31,375	61,622
Profit for the year	-	-	45,758	45,758
Distribution of dividends (note 19)	-	-	(31,254)	(31,254)
At 31 December 2008	28,602	1,645	45,879	76,126

Chief Executive Officer
Alexander Chakmakov



The accompanying notes to the annual financial statements on pages 7 to 42 form an integral part of these financial statements.

ZLATNA PANEGA CEMENT AD
CASH FLOW STATEMENT
For the year ended 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

	Notes	2008	2007
OPERATING ACTIVITIES		44,875	34,814
Profit before tax			
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	5	6,474	4,551
Amortisation of intangible assets	6	36	32
Impairment of property, plant and equipment		-	-
Gain on disposal of property, plant and equipment		(51)	(97)
Movement in doubtful debt allowance	10	79	27
Movement in restoration provision	15	184	15
Movement in employee benefit liability		10	(15)
Interest income	3.8	(229)	(128)
Interest expense	3.9	1,709	919
Working capital adjustments:			
Increase in inventories		(7,256)	(2,011)
Increase in trade and other receivables		(4,289)	(2,238)
(Increase)/Decrease in prepayments		(779)	147
Increase in other financial assets		(9)	(6)
Decrease in trade and other payables		(829)	(1,241)
Income tax paid		(1,647)	(2,989)
Net cash flows from operating activities		38,278	31,780
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		177	271
Purchase of property, plant and equipment		(11,170)	(19,963)
Purchase of intangible assets		(97)	(3)
Disbursement of loans from related parties		(2,111)	(7,469)
Proceeds from loans from related parties		8,271	2,417
Interest received		229	50
Net cash flows used in investing activities		(4,701)	(24,697)
FINANCING ACTIVITIES			
Proceeds from interest-bearing loans		154,000	103,283
Repayment of interest-bearing loans		(154,987)	(89,541)
Proceeds from loans from related parties		342	-
Interest paid		(1,708)	(915)
Dividends paid	19	(31,254)	(22,496)
Net cash flows used in financing activities		(33,607)	(9,669)
Net decrease in cash and cash equivalents		(30)	(2,586)
Cash and cash equivalents at 1 January		69	2,655
Cash and cash equivalents at 31 December	12	39	69

Chief Executive Officer
Alexander Chakmakov

The accompanying notes to the annual financial statements on pages 7 to 42 form an integral part of these financial statements.



ZLATNA PANEGA CEMENT AD
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 Cement AD (the Company) for the year ended 31 December 2008 were authorized for issue in accordance with a resolution of the Board of Directors on 29 January 2009.

Zlatna Panega Cement AD is a joint stock company. The Company is incorporated and domiciled in Zlatna Panega, Bulgaria with a resolution of the Lovech District Court 63/12 June 1989 and its fiscal year ends being 31 December.

The principal activities of the Company include the production and sale of cement. The plant is located near the village of Zlatna Panega. A nearby quarry is the main source of raw materials.

As of 31 December 2008 the Company was owned by:

- | | |
|---|---------|
| - REA Cement Limited, Cyprus | 99.99 % |
| - Individuals and the State of Bulgaria | 0.01 % |

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

2.1 Basis of preparation

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

Statement of compliance

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

The preparation of these annual financial statements of the Company is required by the ultimate parent company for its consolidation. Therefore, these are the stand alone financial statements of Zlatna Panega Cement AD where the investments in subsidiaries are accounted for at cost. The Company meets the exemption criteria under IAS 27 Consolidated and Separate Financial Statements, for not preparing and presenting consolidated financial statements, which are as follows:

- The shareholders of the Company have been informed about and do not object to Zlatna Panega Cement AD not presenting consolidated financial statements;
- The Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- The Company did not file, nor is in the process of filing, its financial statements with a securities commission or other regulatory organisations for the purpose of issuing any class of instruments in a public market; and
- The ultimate parent company, Titan Cement S.A., Greece, prepares and presents consolidated financial statements available for public use that comply with IFRS. These consolidated financial statements are obtainable on the internet address "<http://www.titan.gr/en/financial/year.htm>." The address of the registered office of Titan Cement S.A. is 22 A Halkidos Str., 111 43 Athens, Greece.

(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.

Reclassifications

Certain reclassifications of comparative information related to the sale of fuel included in the income statement (other operating expenses and other operating income) were made in order to ensure consistency with the net presentation of current financial year figures.

2.3 Significant accounting judgments, estimates and assumptions

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

Restoration provision

The Company recognises a provision for quarry restoration. This requires the management to make estimates about the cost of materials, labour, third party services and other expenses necessary for the restoration activities. The estimation of these future costs is complex and requires management to make estimates and judgments because the obligation will be fulfilled in the future and the related contract and laws are often not clear regarding what is required. Furthermore, the resulting provision is further influenced by the changing technologies and, environmental, safety, business, political and statutory considerations. At 31 December 2008 the best estimate of the restoration provision was EUR 1,767 thousand (2007: EUR 1,583 thousand). Further details are provided in Note 15 to the financial statements.

(All amounts in EUR thousand unless otherwise stated)

2.3 Significant accounting judgments, estimates and assumptions (continued)

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 193 thousand (2007: EUR 183 thousand). Further details are provided in Note 16 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.

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 ageing 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 285 thousand (2007: EUR 206 thousand). Further details are provided in Note 10.

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 derecognised.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

Borrowing costs

Borrowing costs are recognised as an expense when incurred.

Intangible assets

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

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or available fair value indicators.

Impairment losses of continuing operations are recognised in 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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

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.

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, loan receivables, unquoted investments and other financial assets.

Subsequent measurement

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost (according to IAS 27 Consolidated and separate financial statements) in these separate financial statements. Further details are given in Note 2.1 above and Note 7.1.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are 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.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. The Company has an available-for-sale investment in equity shares (Note 7.2). As these shares do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are measured at cost. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognised in the income statement as 'Dividends received' when the right of payment has been established.

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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Financial liabilities (continued)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

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.

Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

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

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

If there is objective evidence that an impairment loss has been incurred on the unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the amount that would be expected to be recovered from it, if reliably measured. The amount of the loss is recognised in profit or loss. Such impairment losses are not reversed.

Issued capital

Issued capital represents the par value of shares issued and paid by the shareholders adjusted with the effect of hyperinflation as disclosed in Note 13.1. 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)

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 and work in progress	–	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 short-term deposits 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.

Restoration provision

In accordance with the quarry concession agreement, the Company is obliged to restore the surface of the quarry upon the cessation of its use. The restoration provision is based on the management's best estimate of the expenses that will be incurred when the excavation from the quarry is ceased. The estimated future costs of restoration are reviewed annually and adjusted as appropriate.

Retirement benefits

According to Bulgarian labour 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 retirement 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 unrecognised actuarial gains and losses at the end of the previous reporting period exceed 10% of the retirement benefit obligation. The gains or losses are recognised over the average expected remaining working lives of the employees.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Retirement benefits (continued)

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.

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.

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 recognised over the period during which the service is performed.

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).

Dividend income

Revenue is recognised when the Company's right to receive the dividend payment is established.

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. Tax reliefs are accounted for as a decrease in the income tax expense for the year.

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.

(All amounts in EUR thousand unless otherwise stated)

2.4 Summary of significant accounting policies (continued)

Taxes (continued)

Deferred income tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Value added tax

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

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

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

CO₂ emission rights

Emission rights are accounted under the net liability method, based on which the Company recognizes such a liability from the point when the emissions made are in excess of the allowances allocated. Emission rights acquired in excess of those required to cover its shortages are recognized as an asset, at cost.

(All amounts in EUR thousand unless otherwise stated)

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's financial statements may be affected in the future by the amendments in IAS 27.

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.

(All amounts in EUR thousand unless otherwise stated)

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.

(All amounts in EUR thousand unless otherwise stated)

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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

3. Expenses and other revenues

3.1 Cost of sales

	<u>2008</u>	<u>2007</u>
Variable costs		
Distribution expenses – freight	(15,148)	(11,328)
Kiln fuel	(12,816)	(8,437)
Electricity	(6,920)	(4,746)
Raw materials	(11,218)	(7,441)
Purchase of clinker	(8,649)	(4,485)
Refractory	(930)	(527)
Grinding media	(320)	(173)
Fuel and oil	(803)	(242)
Tyres	(3)	(7)
Other expenses	(67)	(60)
Fixed costs		
Plant salaries, wages and related expenses	(2,699)	(2,508)
Repair and maintenance – spare parts	(2,202)	(2,163)
Lining	(30)	(116)
Contract labour	(2,115)	(2,377)
Insurance and taxes	(171)	(101)
Plant utilities	(156)	(136)
Other fixed costs	(1,680)	(1,080)
Depreciation (note 5)	(5,850)	(4,010)
Packaging costs (including related staff cost)	(2,751)	(1,868)
Inventory change	1,783	255
	<u>(72,745)</u>	<u>(51,550)</u>

ZLATNA PANEGA CEMENT AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

3. Expenses and other revenues (continued)

3.2 Selling and distribution costs

	<u>2008</u>	<u>2007</u>
Salaries and related expenses	(299)	(248)
Utilities	(19)	(21)
Travel - entertainment	(45)	(56)
Advertising and promotion	(76)	(78)
Contract labour	(14)	(33)
Insurance and taxes	(22)	(25)
Other	(143)	(107)
	<u>(618)</u>	<u>(568)</u>

3.3 Administrative expenses

	<u>2008</u>	<u>2007</u>
Salaries and related expenses	(1,382)	(1,083)
Depreciation (note 5)	(624)	(541)
Amortisation (note 6)	(36)	(32)
Utilities	(176)	(200)
Travel – entertainment	(109)	(158)
Consultancy fees	(169)	(224)
Audit fees	(72)	(71)
Repairs and maintenance	(44)	(99)
Insurance and taxes	(194)	(124)
Supplies	(21)	(21)
Other	(1,300)	(896)
	<u>(4,127)</u>	<u>(3,449)</u>

(All amounts in EUR thousand unless otherwise stated)

3. Expenses and other revenues (continued)

3.4 Other expenses

	<u>2008</u>	<u>2007</u>
Cost of goods, materials and scrap sold	(105)	(71)
Expenses for demolition	(61)	(273)
Cost of bars, canteen and rest house	(26)	(95)
Expenses pertaining to disposal of fixed assets	(187)	(173)
Provision for impairment of trade receivables (note 10)	(101)	(30)
Other provisions (employee unused leave accrual)	(64)	(108)
Restoration provision (note 15)	(184)	(15)
Staff leaving indemnities	-	(27)
Other	(21)	(88)
	<u>(749)</u>	<u>(880)</u>

3.5 Expenses by nature

	<u>2008</u>	<u>2007</u>
Materials used and recognised as an expense	(44,971)	(29,868)
Hired services	(20,700)	(16,590)
Depreciation (note 5)	(6,474)	(4,551)
Amortisation (note 6)	(36)	(32)
Employee benefits expense (note 3.6)	(4,939)	(4,466)
Change in work in progress	1,783	255
Other	(2,902)	(1,195)
Total cost of sales, selling and distribution, administrative and other	<u>(78,239)</u>	<u>(56,447)</u>

3.6 Employee benefits expense

	<u>2008</u>	<u>2007</u>
Wages and salaries	(3,431)	(3,156)
Social security costs	(731)	(754)
Retirement benefits (note 16)	(45)	(23)
Other related expenses	(732)	(533)
	<u>(4,939)</u>	<u>(4,466)</u>

ZLATNA PANEGA CEMENT AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

3. Expenses and other revenues (continued)

3.7 Other income

	<u>2008</u>	<u>2007</u>
Sale of scrap and materials	279	226
Reversal of provisions from past years (note 10)	22	3
Rendering of other services	101	90
Sale of goods in the rest house and rent of offices	7	36
Other	<u>77</u>	<u>114</u>
	<u>486</u>	<u>469</u>

3.8 Finance income

	<u>2008</u>	<u>2007</u>
Interest income calculated using the effective interest method for financial assets carried at amortised cost:		
Bank accounts and deposits	2	4
Loans provided to related parties (note 18)	227	124
Foreign exchange gains	<u>151</u>	<u>48</u>
	<u>380</u>	<u>176</u>

3.9 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	(1,709)	(919)
Fee expense (other than amounts included in determining the effective interest rate) arising from financial liabilities carried at amortised cost	(49)	(61)
Foreign exchange losses	<u>(90)</u>	<u>(67)</u>
	<u>(1,848)</u>	<u>(1,047)</u>

ZLATNA PANEGA CEMENT AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

4. Income tax

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

	<u>2008</u>	<u>2007</u>
Current income tax charge	(2,352)	(3,558)
Adjustment recognized in the period for current tax related to fiscal year 2007	3,558	-
Deferred income tax (expense)/income	<u>(323)</u>	<u>55</u>
Income tax income/(expense) reported in the income statement	<u><u>883</u></u>	<u><u>(3,503)</u></u>

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

Reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate for the year ended 31 December 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Accounting profit before income tax	<u>44,875</u>	<u>34,814</u>
Income tax expense at statutory tax rate of 10% for 2008 (2007: 10%)	(4,488)	(3,481)
Expenses not deductible for tax purposes	(23)	(23)
Revenue not subject to tax	53	1
Tax relief	<u>5,341</u>	<u>-</u>
Income tax income/(expense)	<u><u>883</u></u>	<u><u>(3,503)</u></u>

As per the provisions of Bulgarian Corporate Income Tax Act (CITA) any taxable person is eligible to income tax relief up to 100% of the income tax for the fiscal year, only if the following requirements are simultaneously met:

- the taxable person carries out manufacturing activities solely in municipalities where the rate of unemployment for the year preceding the current year is by 35% or more higher than the average for Bulgaria for the same period;
- additional requirements, the most important of which are as follows:
 - the income tax holiday should be invested in property, plant and equipment and intangible assets, part of an initial capital expenditure plan;
 - the initial investment (i.e. qualifying capital expenditure projects) should be made within four years following the beginning of the year for which the income tax relief is claimed;
 - the initial investment must be made in municipalities where the rate of unemployment for the year of tax holiday claim is by 35% or more higher than the average for Bulgaria for the same period;
 - the activity, related to the initial investment, should continue to be performed in the respective municipality for a period of at least five years after the year of completion of the initial investment; this circumstance shall be declared annually in the annual tax returns until the lapse of a five-year period;
 - at least 25% of the value of the property, plant and equipment and intangible assets, forming part of the initial investment, should be self-financed or debt-financed by the taxable person;

(All amounts in EUR thousand unless otherwise stated)

4. Income tax (continued)

- the income tax relief should not exceed 50% of the present value of the property, plant and equipment, included in the initial investment plan, determined as at 31 December of the year of the tax holiday.

Following the accession of Bulgaria to the European Union since 1 January 2007, the tax legislation has been changed and treats the tax relieves available to the Company as state aids. As such, they are subject to approval by the European Commission (EC). The approval of the EC for tax incentive for companies situated in areas of high unemployment was issued in March 2008 which was after the financial statements for the year ended 31 December 2007 were authorized for issue (1 February 2008). Consequently, the Company recognized the tax relief related to fiscal year 2007 in the amount of EUR 3,558 thousand in the income statement for the year ended 31 December 2008, as an "Adjustment recognized in the period for current tax related to fiscal year 2007", within income tax line item. As of 31 December 2008 the Company considers that it is eligible for the following tax relieves as all the above mentioned requirements of CITA are considered "satisfied":

- EUR 4,010 thousand related to qualifying capital expenditure project "Vertical Cement Mill" (with total budgeted amount of EUR 10,000 thousand) declared in 2007 annual tax return. The Company utilized EUR 3,558 thousand against corporate income tax for fiscal year 2007 (i.e. it was brought to nil) and recognised it as disclosed above. The remaining amount of the tax relief of EUR 452 thousand represents a carry-over for 2008 and is recognised as a reduction of current income tax expenses in income statement for the financial year 2008.

- EUR 1,331 thousand related to qualifying capital expenditure project "Raw Material silos" (with total budgeted amount of EUR 3,000 thousand) which will be declared in 2008 annual tax return. This tax relief is recognised as a reduction of current income tax expense in the income statement for the financial year 2008.

Deferred income tax at 31 December relates to the following:

	Balance Sheet		Income Statement	
	2008	2007	2008	2007
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	1,152	783	(369)	44
	<u>1,152</u>	<u>783</u>		
<i>Deferred tax asset</i>				
Unused leave allowance	(33)	(25)	8	7
Restoration provision	(123)	(104)	19	2
Retirement benefits	(19)	(18)	1	-
Provision for impairment of receivables	(28)	(5)	23	2
Write-down of inventory	-	(5)	(5)	-
	<u>(203)</u>	<u>(157)</u>		
Deferred tax (expense)/income			<u>(323)</u>	<u>55</u>
Deferred tax liability, net	<u>949</u>	<u>626</u>		

ZLATNA PANEGA CEMENT AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

5. Property, plant and equipment

	Land and buildings	Plant and machinery	Vehicles	Furniture and fittings	Assets under construction	Total
Cost:						
At 1 January 2007	5,659	25,434	3,152	917	29,602	64,764
Additions	56	106	205	168	18,877	19,412
Transfers	3,097	38,144	886	127	(42,254)	-
Disposals	(10)	(471)	(35)	(42)	-	(558)
At 31 December 2007	8,802	63,213	4,208	1,170	6,225	83,618
Additions	799	210	342	167	9,466	10,984
Transfers	2,667	9,271	974	54	(12,966)	-
Disposals	(130)	(331)	(141)	(34)	-	(636)
At 31 December 2008	<u>12,138</u>	<u>72,363</u>	<u>5,383</u>	<u>1,357</u>	<u>2,725</u>	<u>93,966</u>
Depreciation and impairment:						
At 1 January 2007	906	8,887	1,471	547	-	11,811
Depreciation charge for the year	288	3,754	372	137	-	4,551
Disposals	(4)	(313)	(29)	(38)	-	(384)
At 31 December 2007	1,190	12,328	1,814	646	-	15,978
Depreciation charge for the year	393	5,378	499	204	-	6,474
Disposals	(127)	(214)	(139)	(30)	-	(510)
At 31 December 2008	<u>1,456</u>	<u>17,492</u>	<u>2,174</u>	<u>820</u>	<u>-</u>	<u>21,942</u>
Net book value:						
At 1 January 2007	<u>4,753</u>	<u>16,547</u>	<u>1,681</u>	<u>370</u>	<u>29,602</u>	<u>52,953</u>
At 31 December 2007	<u>7,612</u>	<u>50,885</u>	<u>2,394</u>	<u>524</u>	<u>6,225</u>	<u>67,640</u>
At 31 December 2008	<u>10,682</u>	<u>54,871</u>	<u>3,209</u>	<u>537</u>	<u>2,725</u>	<u>72,024</u>

Impairment of property, plant and equipment

Based on the impairment review performed the management considers that there are neither indications that the assets' carrying amounts may exceed their recoverable amounts, nor any indications representing reversals of impairment losses recognised previously.

Useful lives

The useful lives of the assets are estimated as follows:

	2008	2007
Buildings	10 to 40 years	10 to 40 years
Plant and machinery	5 to 40 years	5 to 40 years
Vehicles	5 to 25 years	5 to 25 years
Furniture and fittings	2 to 10 years	2 to 10 years

Assets under construction

Assets under construction relate to major capital projects as Water treatment plant, Close water loop system, Road to Koritna quarry, Bridge in Koritna quarry, Raw materials silos, Vertical cement mill 9, Filters for Raw Mill and others.

(All amounts in EUR thousand unless otherwise stated)

6. Intangible assets

	Concession rights	Licences	Computer software	Total
Cost:				
At 1 January 2007	41	141	41	223
Additions	-	-	3	3
Disposals	-	-	-	-
At 31 December 2007	41	141	44	226
Additions	-	-	97	97
Disposals	-	-	-	-
At 31 December 2008	<u>41</u>	<u>141</u>	<u>141</u>	<u>323</u>
Amortisation and impairment:				
At 1 January 2007	18	70	39	127
Amortisation charge for the year	2	27	3	32
Disposals	-	-	-	-
At 31 December 2007	20	97	42	159
Amortisation charge for the year	3	27	6	36
Disposals	-	-	-	-
At 31 December 2008	<u>23</u>	<u>124</u>	<u>48</u>	<u>195</u>
Net book value:				
At 1 January 2007	<u>23</u>	<u>71</u>	<u>2</u>	<u>96</u>
At 31 December 2007	<u>21</u>	<u>44</u>	<u>2</u>	<u>67</u>
At 31 December 2008	<u>18</u>	<u>17</u>	<u>93</u>	<u>128</u>

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>
Concession rights	20 years	20 years
Licences	10 years	10 years
Computer software	10 years	10 years

ZLATNA PANEGA CEMENT AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

7. Investments

7.1 Investments in subsidiaries

	Country of incorporation	% equity interest	
		2008	2007
Zlatna Panega Beton EOOD	Bulgaria	100%	100%
Gravel and Sand Pits – Bulgaria EAD	Bulgaria	100%	100%

The investments in subsidiaries are measured at cost as follows:

	2008	2007
Zlatna Panega Beton EOOD	3,564	3,564
Gravel and Sand Pits Bulgaria EAD	69	69
	<u>3,633</u>	<u>3,633</u>

The shares in subsidiaries do not have a quoted market price in an active market and their fair value cannot be reliably measured.

7.2 Available-for-sale investments

The Company has an 8% participation in Granitoid AD, the majority shareholder of which is REA Cement Limited. Granitoid AD is a joint stock company, incorporated in Bulgaria. The equity shares are measured at cost because they do not have a quoted market price in an active market and their fair value cannot be reliably measured. The cost of the available-for-sale investment is EUR 21 thousand as of 31 December 2008 and 31 December 2007.

8. Other financial assets

In accordance with the quarry concession agreement, the Company is obliged to maintain a deposit equal to 10% of the amount of the average three-month excavated material, during the concession period (20 years). As of 31 December 2008 the amount deposited and restricted for this purpose is EUR 53 thousand (31 December 2007: EUR 44 thousand). It earns interest at 2.5% per annum (2007: 2.5%).

ZLATNA PANEGA CEMENT AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

9. Inventories

	<u>2008</u>	<u>2007</u>
Raw materials (at cost)	6,053	2,750
Spare parts (at cost)	6,920	4,845
Packaging materials (at cost)	520	323
Work in progress (at cost)	1,799	233
Finished goods (at cost)	1,148	1,033
	<u>16,440</u>	<u>9,184</u>

10. Trade receivables

	<u>2008</u>	<u>2007</u>
Trade receivables	8,823	6,859
Aged receivables	-	6
Receivables under court procedure	454	322
Less: Provision for impairment	<u>(285)</u>	<u>(206)</u>
Trade receivables, net	<u>8,992</u>	<u>6,981</u>

Trade receivables are non-interest bearing and are generally on 0- 42 days terms.

As at 31 December 2008, trade receivables at nominal value of EUR 362 thousand (2007: EUR 225 thousand) were provided for impairment following receivable collectability analysis performed by the Company's management. Movements in the provision for impairment of receivables were as follows:

	<u>Provision for individually impaired receivables</u>
At 1 January 2007	179
Charge for the year (note 3.4)	30
Unused amounts reversed (note 3.7)	<u>(3)</u>
At 31 December 2007	<u>206</u>
At 1 January 2008	206
Charge for the year (note 3.4)	101
Unused amounts reversed (note 3.7)	<u>(22)</u>
At 31 December 2008	<u>285</u>

ZLATNA PANEGA CEMENT AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

10. Trade receivables (continued)

As at 31 December 2008, the ageing 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	8,992	3,496	1,289	1,745	748	1,205	509
2007	6,981	3,665	881	1,983	238	12	202

11. Prepayments

	2008	2007
Advances paid to related parties (note 18)	511	-
Prepayments to third parties	1,468	1,120
	1,979	1,120

12. Cash and short-term deposits

	2008	2007
Cash at bank	34	55
Cash in hand	5	14
	39	69

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2008 the fair value of cash and short-term deposits is EUR 39 thousand (2007: EUR 69 thousand).

13. Issued capital and reserves

13.1 Issued capital

	2008	2007
Ordinary shares of EUR 0.51 each, as per court registration	16,450	16,450
Hyperinflation adjustment	12,152	12,152
	28,602	28,602

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

(All amounts in EUR thousand unless otherwise stated)

13. Issued capital and reserves (continued)

13.1 Issued capital (continued)

	Number of ordinary shares (thousands)	Authorised capital
At 1 January 2007	32,173	16,450
At 31 December 2008	<u>32,173</u>	<u>16,450</u>
At 31 December 2008	<u><u>32,173</u></u>	<u><u>16,450</u></u>

All ordinary shares issued were fully paid.

13.2 Reserves

Legal reserve

Legal reserves are formed as per article 246 of the Bulgarian Commercial Act stipulating reserve requirements for joint stock companies such as Zlatna Panega Cement AD. Legal reserves are required to equal one-tenth of the authorised capital. The source of the legal reserves comes from not less than one-tenth of earnings, premiums on share or debenture issues and other sources established by the articles of association of a company or the general meeting of its shareholders. The legal reserves can only be used to offset current year and prior year losses.

14. Interest - bearing loans

	Effective interest rate %	Maturity	2008	2007
Current				
(1) Overdraft facility in BNP Paribas with limit of BGN 24,500 thousand	1M Sofibor +1.05 %	August 2009	10,007	7,033
(2) Overdraft facility in EFG Eurobank with limit of BGN 10,000 thousand	1M Sofibor +1.30 %	5 February 2009	673	2,078
(3) Long-term bullet loan with maturity of 3 years in Societe Generale - Expressbank with total limit of BGN 24,000 thousand for working capital needs and capital expenditure	1M Sofibor +0.95 %	10 May 2009	12,271	-
(4) Revolving facility in Alpha bank with limit of BGN 10,000 thousand	3M Sofibor +2.00%	30 November 2009	-	2,556
			<u><u>22,951</u></u>	<u><u>11,667</u></u>
Non-current				
(3) Long-term bullet loan with maturity of 3 years in Societe Generale - Expressbank with total limit of BGN 24,000 thousand for working capital needs and capital expenditure	1M Sofibor +0.95 %	10 May 2009	-	12,271
			<u><u>-</u></u>	<u><u>12,271</u></u>

(All amounts in EUR thousand unless otherwise stated)

14. Interest bearing loans (continued)

(1) Overdraft facility concluded with BNP Paribas for a limit of BGN 24,500 thousand (EUR 12,527 thousand). The facility is secured by a Letter of Comfort issued by Titan Cement S.A. and Promissory Note issued by the Company.

(2) Overdraft facility concluded with EFG Eurobank 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. and Promissory Note issued by the Company.

(3) Long term bullet loan with maturity of 3 years concluded with Societe General - Expressbank for a total limit of BGN 24,000 thousand (EUR 12,271 thousand). The facility is secured by Corporate Guarantee issued by Titan Cement S.A. It is repayable in full on 10 May 2009.

(4) Revolving credit line facility concluded with Alpha bank for a limit of BGN 10,000 thousand (EUR 5,113 thousand). The facility is secured by a Corporate Guarantee issued by Titan Cement S.A.

As at 31 December 2008, the Company has available EUR 12,073 thousand (2007: EUR 11,085 thousand) of undrawn committed and uncommitted borrowing facilities in respect of which all precedent conditions had been met.

15. Restoration provision

	<u>Restoration provision</u>
At 1 January 2007	1,568
Arising during the period (note 3.4)	<u>15</u>
At 31 December 2007	1,583
Arising during the period (note 3.4)	<u>184</u>
At 31 December 2008	<u>1,767</u>

In accordance with the quarry concession agreement, the Company is obliged to restore the surface of the quarry upon the cessation of its use. The restoration provision is based on the management's best estimate of the expenses that will be incurred when the excavation from the quarry is ceased. The provision arising during the period reflects the additional amount that would be needed to restore the surface of the quarry that has been excavated during the period and the effect of change in estimate of the restoration amount that occurred due to update prices of services for restoration of the expected. The restoration provision has not been discounted as the management can not determine with any reasonable certainty at the time being the time frame for utilization of the provision and they believe that the current values presented are the best estimate available for the time being.

(All amounts in EUR thousand unless otherwise stated)

16. Retirement benefits

According to the Bulgarian labour legislation and Company's collective labour agreement, Zlatna Panega Cement AD, as an employer is obliged to pay five or nine 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 nine gross monthly salaries upon retirement (six gross monthly salaries as per Bulgarian labour legislation, plus three additional gross monthly salaries in accordance with the Company's Collective Labour Agreement), otherwise - five gross monthly salaries (two gross monthly salaries as per Bulgarian labour legislation, plus three additional gross monthly salaries in accordance with the Company's Collective Labour Agreement). 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 benefits expense

	2008	2007
Current service cost (note 3.6)	24	32
Interest cost (note 3.6)	14	17
Net actuarial (gain) recognised during the year	-	(5)
Past service cost	21	(9)
Net benefit expense recognised in the income statement	59	35

Benefit liability

	2008	2007
Present value of retirement benefit obligation	244	247
Unrecognised actuarial (gains)/losses	(9)	(2)
Unrecognised past service costs	(42)	(62)
Benefit liability recognised in the balance sheet	193	183

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

	Amount
Retirement benefit obligation at 1 January 2007	281
Interest cost	17
Current service cost	32
Effect of curtailments	(30)
Benefits paid	(35)
Actuarial losses on obligation	(18)
Retirement benefit obligation at 31 December 2007	247
Interest cost	14
Current service cost	24
Benefits paid	(48)
Actuarial gains on obligation	7
Retirement benefit obligation at 31 December 2008	244

(All amounts in EUR thousand unless otherwise stated)

16. Retirement benefits (continued)

Benefit liability (continued)

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

	<u>2008</u>	<u>2007</u>
Discount rate	6.2 %	5.7 %
Future salary increases	9.5 %	6 %

Amounts for the year ended 31 December 2008 and previous four annual periods are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Present value of retirement benefit obligation	244	247	281	295	298
Experience adjustments on plan liabilities	7	(18)	(7)	(14)	30

17. Trade and other payables

17.1. Trade payables

	<u>2008</u>	<u>2007</u>
Trade payables from domestic suppliers	2,595	3,689
Trade payables from foreign suppliers	1,143	1,245
	<u>3,738</u>	<u>4,934</u>

17.2. Other payables

	<u>2008</u>	<u>2007</u>
Customer prepayments	198	562
Unused paid leave	326	307
Social security	74	68
Payroll taxes	24	39
V.A.T payable	634	129
Other taxes	23	23
Insurance premium payable	24	40
Other payables	227	155
	<u>1,530</u>	<u>1,323</u>

(All amounts in EUR thousand unless otherwise stated)

17. Trade and other payables (continued)

17.2. Other payables (continued)

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

- Trade payables are non-interest bearing and are normally settled on 1-90 day terms;
- Tax payables are non-interest bearing and are settled according to the legal deadlines.
- Other payables are non-interest bearing and have an average term of 15 days.

18. Related party disclosures

The ultimate parent

The ultimate parent of the Company is Titan Cement Company SA, incorporated in Greece.

Entity with controlling interest in the Company

The Company is controlled by REA Cement Limited, Cyprus, holding 99.99% of its shares. The remaining 0.01% of the shares are held by individuals and the State of Bulgaria.

Subsidiaries

Zlatna Panega Beton EOOD and Gravel and Sand Pits – Bulgaria EAD (“GSPB”) are wholly-owned subsidiaries of the Company. Zlatna Panega Cement AD has also control over Double V Co, Ruse, Bulgaria, which is wholly owned by GSPB.

Associates

Zlatna Panega Cement AD has a significant influence over Holcim Karierni Materiali Sofia AD, with interest of 48.77% and in Holcim Karierni Materiali Plovdiv AD, with interest 48.72% through its wholly-owned subsidiary Gravel and Sand Pits – Bulgaria EAD.

Other related parties

Granitoid AD, Cementarnica Usje AD, Cementarnica Kosjerich, Titan America and Zlatna Panega Cement AD are related parties because they are under the common control of Titan Cement Company SA (the ultimate parent).

ZLATNA PANEGA CEMENT AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2008

(All amounts in EUR thousand unless otherwise stated)

18. Related party disclosures (continued)

The following table provides the total amount of transactions, which have been entered into and the outstanding balances 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>
In respect of sales / purchases from related party					
<i>Ultimate parent company</i>					
Titan Cement Company S.A.	2008	-	1,578	-	43
Titan Cement Company S.A.	2007	3	42	3	33
<i>Subsidiaries</i>					
Zlatna Panega Beton EOOD	2008	6,050	233	3,354	23
Zlatna Panega Beton EOOD	2007	4,052	357	553	11
Double V Co	2008	-	1	-	-
Double V Co	2007	-	-	-	-
<i>Other related parties</i>					
Cementarnica Usje AD	2008	162	5,533	37	150
Cementarnica Usje AD	2007	91	2,413	3	135
Cementarnica Kosjerich	2008	30	-	5	-
Cementarnica Kosjerich	2007	-	163	-	-
Titan America	2008	-	13	-	1
Titan America	2007	-	-	-	-
Granitoid AD	2008	-	28	-	1
Granitoid AD	2007	-	-	-	-
	2008			<u>3,396</u>	<u>218</u>
	2007			<u>559</u>	<u>179</u>

As of 31 December 2008, included in the amounts owned from related parties is advance paid to the subsidiary Zlatna Panega Beton EOOD of EUR 511 thousand (note 11).

(All amounts in EUR thousand unless otherwise stated)

18. Related party disclosures (continued)

		Interest income	Interest expense	Amounts owed from related parties	Amounts owed to related parties
In respect of loans from / to related party					
<i>Subsidiaries</i>					
Zlatna Panega Beton EOOD	2008	115	-	-	-
Zlatna Panega Beton EOOD	2007	61	-	3,883	-
Gravel and Sand Pits EAD	2008	112	2	-	344
Gravel and Sand Pits EAD	2007	62	-	2,345	-
Double V Co	2008	-	-	-	-
Double V Co	2007	-	-	15	-
<i>Other related parties</i>					
Granitoid AD	2008	-	-	-	-
Granitoid AD	2007	1	-	1	-
	2008	-	-	-	344
	2007			6,244	-

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 14, there have been no guarantees provided or received for any related party receivables or payables. For 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 period by examining the financial position of the related party and the market in which the related party operates.

Loans owed to related parties

Gravel and Sand Pits – Bulgaria EAD

During 2008, Zlatna Panega Cement AD borrowed from Gravel and Sand Pits – Bulgaria AD an amount of EUR 342 thousand (2007: EUR Nil). It is intended to finance the working capital needs of Zlatna Panega Cement. The loan is unsecured and is repayable in 2009. Interest is charged at the 1M Sofibor plus a spread of 1.30%.

Loans owed from related parties

Zlatna Panega Beton EOOD

During 2007, Zlatna Panega Cement AD granted a loan to its wholly-owned subsidiary Zlatna Panega Beton EOOD in the amount of EUR 3,883 thousand that was fully repaid in 2008. It was unsecured and born interest rate of 1M Sofibor plus spread of 0.65%.

Gravel and Sand Pits – Bulgaria EAD

During 2007, Zlatna Panega Cement AD granted a loan to its wholly-owned subsidiary Gravel and Sand Pits – Bulgaria EAD in the amount of EUR 2,345 thousand that was fully repaid in 2008. The loan was unsecured and interest was charged at the 1M Sofibor plus spread of 0.65%.

(All amounts in EUR thousand unless otherwise stated)

18. Related party disclosures (continued)

During 2008, Zlatna Panega Cement AD granted a loan to its wholly-owned subsidiary Gravel and Sand Pits – Bulgaria EAD in the amount of EUR 1,603 thousand that was fully repaid within the same year. The loan was unsecured and interest was charged at the 1M Sofibor plus spread of 0.65%.

Loans to related parties (continued)

Double V Co

During 2007, Zlatna Panega Cement AD has granted a loan to its wholly-owned subsidiary (through GSPB), Double V Co in the amount of EUR 15 thousand that was fully repaid in 2008. The loan was unsecured and interest was charged at the 1M Sofibor plus spread of 0.65%.

Granitoid AD

In 2006, Zlatna Panega Cement AD, granted loan to Granitoid AD with total contract amount of EUR 77 thousand. The interest rate was basic interest rate plus 2.5% spread. As of 31 December 2008 the loan principle and interest was fully repaid.

Compensation of key management personnel

	<u>2008</u>	<u>2007</u>
Short-term employee benefits	503	399
	<u>503</u>	<u>399</u>

19. Dividends distributed

During 2008, the General Meeting of Shareholders approved distribution of dividends in the amount of EUR 31,254 (during 2007: EUR 18,753 thousand of dividends were approved for distribution). The dividend per share is EUR 0.97 (2007: EUR 0.58). For the year ended 31 December 2008 dividends actually paid amounted to EUR 31,254 thousand (2007: EUR 22,496 thousand).

20. Commitments and contingencies

	<u>2008</u>	<u>2007</u>
Capital commitments	806	1,310
Promissory note to the National Electricity Company	798	469
Promissory note to banks	<u>18,039</u>	<u>17,895</u>
	<u>19,643</u>	<u>19,674</u>

Legal claims

No significant legal claims are foreseen by the management of the Company.

(All amounts in EUR thousand unless otherwise stated)

20. Commitments and contingencies (continued)

Other

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

- Corporate income tax – until 31 December 2004;
- VAT – until 31 December 2004;
- Personal income tax – until 31 December 2004;
- Social security contributions – until 31 August 2005;
- Local taxes and fees – until 31 December 2004.

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.

21. Financial risk management objectives and policies

The Company's principal financial liabilities comprise bank loans and trade payables. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short-term deposits, 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 and long-term debt obligations with floating interest rates. The Company's policy is to manage its interest cost through continuous negotiations with financial institutions (banks) aimed at achieving the most favourable terms and conditions that are on offer.

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
2008		
Loans in BGN	+200	(396)
Loans in BGN	-100	198
2007		
Loans in BGN	+200	(315)
Loans in BGN	-100	157

(All amounts in EUR thousand unless otherwise stated)

21. 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. Due to the dynamic nature of the underlying businesses, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

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	-	673	22,278	-	-	22,951
Trade payables	-	3,738	-	-	-	3,738
Other payables	-	1,530	-	-	-	1,530
Payables to related parties	-	562	-	-	-	562
	-	6,503	22,278	-	-	28,781

As of 31 December 2007

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest bearing loans	-	2,082	9,585	12,271	-	23,938
Trade payables	-	4,934	-	-	-	4,934
Other payables	-	1,323	-	-	-	1,323
Payables to related parties	-	179	-	-	-	179
	-	8,518	9,585	12,271	-	30,374

Foreign exchange risk

The Company's exposure to foreign currency risk is minimal due to the fact that the majority of foreign currency transactions relating to purchases are denominated in euro, which is currently fixed at BGN 1.95583 for 1 EUR.

(All amounts in EUR thousand unless otherwise stated)

21. Financial risk management objectives and policies (continued)

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 10. 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 cash equivalents, available-for-sale financial investments and other financial assets (non-current), receivables from related parties the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business 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 shareholders, return capital to shareholders or issue new shares, following the shareholders' approval. No changes were made in the objectives, policies or processes during the years ended 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>
EBITDA	<u>52,853</u>	<u>40,268</u>

The Company is not subject to any externally imposed capital requirements. The structure and management of debt capital is determined at TITAN Group level.

(All amounts in EUR thousand unless otherwise stated)

22. 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. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

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

23. Events after the balance sheet date

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