



ZLATNA PANEGA BETON EOOD

ANNUAL FINANCIAL STATEMENTS

31 December 2009

ZLATNA PANEGA BETON EOOD

Contents

General Information	i
Directors' Report.....	ii
Review Report to the Sole Owner of Zlatna Panega Beton EOOD	1
Statement of comprehensive income	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.....	12
2.4. Summary of significant accounting policies.....	13
2.5. Future changes in accounting policies.....	20
4. Income tax.....	25
5. Property, plant and equipment	27
6. Intangible assets	28
7. Inventories	29
8. Trade and other receivables	29
9. Cash and cash equivalents.....	30
10. Issued capital	30
11. Retirement benefits	31
12. Interest bearing loans to bank	32
13. Trade and other payables	32
14. Advances received	32
15. Related party disclosures	33
16. Commitments and contingencies.....	35
17. Financial risk management objectives and policies	36
18. Financial instruments	38
19. Events after the balance sheet date.....	38

ZLATNA PANEGA BETON EOOD

General Information

Directors

Emil Braychev – Executive Director

Biser Dosev - Procurator

Manousos Petrakakis – Executive Director

Registered office

6, Poruchik Nedelcho Bonchev Str.

Sofia

Solicitors

Futekova, Hristova, Tomeshkova EOOD

Penkov, Markov and Partners OOD

Bankers

Societe General – Expressbank - Sofia

Auditors

Ernst & Young Audit OOD

Business Park Sofia

Building 10, Floor 2

Mladost 4

Sofia 1766

ZLATNA PANEGA BETON EOOD

DIRECTORS' REPORT

For the year ended 31 December 2009

DIRECTORS' REPORT

The Directors present their report and the financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU) for the year ended 31 December 2009. These financial statements have been audited by Ernst and Young Audit OOD.

GENERAL INFORMATION AND BUSINESS DESCRIPTION

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

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

BUSINESS DESCRIPTION

Current year results

The overall financial performance and position of the Company for 2009 was characterized by:

- Keeping the market position of the Company in the sector under increasing competition. As a result of this the Company has sold 105 thousand cubic meters concrete.
- Strengthen collection policy and thus, increase of cash receipts all year 2009, following the World Financial Crisis.

Share capital structure

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

As at 31 December 2009 Zlatna Panega Beton EOOD has no subsidiaries and associates.

OBJECTIVES OF THE COMPANY FOR 2010

- Increase of the effectiveness of industrial performance.
- Keeping of the market share in the conditions of extremely decreased construction market.
- Expand in infrastructure projects around the country.
- Keeping of the all the reduce expenses from this year.

ZLATNA PANEGA BETON EOOD

DIRECTORS' REPORT

For the year ended 31 December 2009

CORPORATE GOVERNANCE

The Company is a limited liability company and operates as one-tier system of corporate management in accordance with the commercial legislation in Bulgaria, effective for 2009.

The management of the Company consists of:

Manousos Petrakakis - Executive Director
Biser Dosev - Procurator

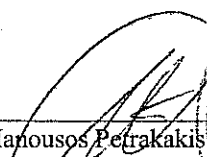
Directors' responsibilities

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

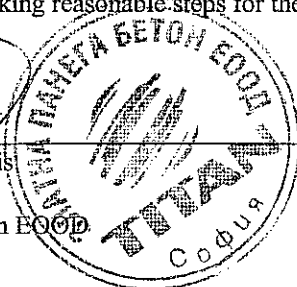
The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2009.

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.



Manousos Petrakakis
Executive Director
Zlatna Panega Beton EOOD
Sofia
29 January 2010



Independent Auditor's Report

To the shareholders
of Zlatna Panega Beton EOOD

We have audited the accompanying financial statements of Zlatna Panega Beton EOOD, which comprise the balance sheet as of 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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.

Auditor's Responsibility

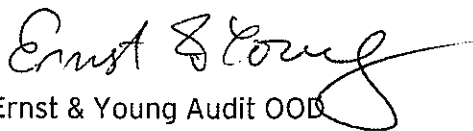
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zlatna Panega Beton EOOD as of 31 December 2009, 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 black ink, appearing to read 'Ernst & Young', written over the printed name.

Ernst & Young Audit OOD

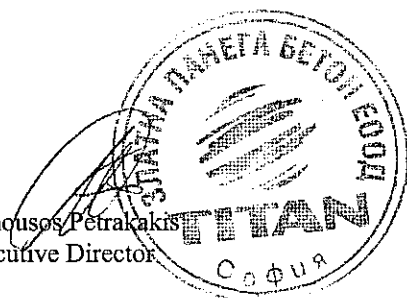
Sofia, Bulgaria

1 February 2010

ZLATNA PANEGA BETON EOOD
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		€000	€000
Sales of goods		4,842	11,832
Rendering of services		904	3,546
Revenue		5,746	15,378
Cost of sales	3.1	(5,811)	(15,101)
Gross (loss)/ profit		(65)	277
Other income	3.7	199	146
Selling and distribution costs	3.2	(164)	(177)
Administrative expenses	3.3	(473)	(533)
Other expenses	3.4	(155)	(52)
Operating loss		(658)	(339)
Finance costs	3.8	(292)	(275)
Loss before tax		(950)	(614)
Income tax	4	(33)	(8)
Loss for the year		(983)	(622)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(983)	(622)

Marcos Petrakakis
Executive Director



The accompanying notes to the financial statements on pages 7 to 38 form an integral part of these financial statements.

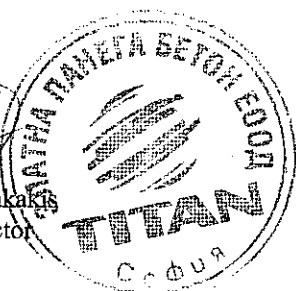
ZLATNA PANEGA BETON EOOD

BALANCE SHEET

As of 31 December 2009

	Notes	2009 €000	2008 €000
ASSETS			
Non-current assets			
Property, plant and equipment	5	7,900	8,807
Intangible assets	6	13	38
		<u>7,913</u>	<u>8,845</u>
Current assets			
Inventories	7	121	227
Trade receivables	8.1	1,104	3,111
Other receivables	8.2	29	49
Receivables from related parties	15	15	23
Income tax receivables		39	43
Cash and cash equivalents	9	9	3
		<u>1,317</u>	<u>3,456</u>
TOTAL ASSETS		<u>9,230</u>	<u>12,301</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	10	3,564	3,564
Accumulated losses		(1,399)	(416)
Total equity		<u>2,165</u>	<u>3,148</u>
Non-current liabilities			
Retirement benefit liability	11	35	31
Deferred tax liability	4	49	16
		<u>84</u>	<u>47</u>
Current liabilities			
Interest bearing loans to banks	12	4,859	4,870
Trade payables	13.1	164	490
Other payables	13.2	102	157
Advances received	14	527	654
Payables to related parties	15	1,329	2,935
		<u>6,981</u>	<u>9,106</u>
Total liabilities		<u>7,065</u>	<u>9,153</u>
TOTAL EQUITY AND LIABILITIES		<u>9,230</u>	<u>12,301</u>

Manoussos Petrakakis
Executive Director

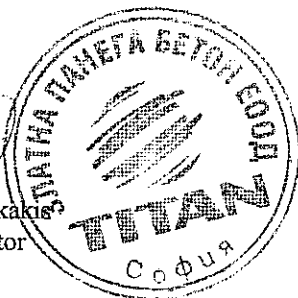


The accompanying notes to the financial statements on pages 7 to 38 form an integral part of these financial statements.

ZLATNA PANEGA BETON EOOD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

	Issued capital (note 10)	Retained earnings/ (Accumulated losses)	Total
	€000	€000	€000
At 1 January 2008	3,564	206	3,770
Total comprehensive income for the year	-	(622)	(622)
At 31 December 2008	<u>3,564</u>	<u>(416)</u>	<u>3,148</u>
At 1 January 2009	3,564	(416)	3,148
Total comprehensive income for the year	-	(983)	(983)
At 31 December 2009	<u>3,564</u>	<u>(1,399)</u>	<u>2,165</u>

Manousos Petrakakis
Executive Director



The accompanying notes to the financial statements on pages 7 to 38 form an integral part of these financial statements.

ZLATNA PANEGA BETON EOOD**CASH FLOW STATEMENT**

For the year ended 31 December 2009

	<u>Notes</u>	<u>2009</u>	<u>2008</u>
		<u>€000</u>	<u>€000</u>
OPERATING ACTIVITIES			
Loss before tax		(950)	(614)
Adjustments to reconcile loss before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	5	341	633
Amortisation of intangible assets	6	25	27
(Gain)/Loss on disposal of property, plant and equipment		(5)	1
Movement in doubtful debt allowance		47	(8)
Movement in retirement benefit liability	11	4	6
Finance cost	3.8	284	275
Working capital adjustments:			
Decrease /(Increase) in inventories		106	(75)
Decrease/(Increase) in trade and other receivables		1,988	(1,332)
(Decrease)/Increase in trade and other payables		(1,977)	2,740
Net cash flows (used in)/from operating activities		(137)	1,653
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		464	2
Purchase of property, plant and equipment	5	(26)	(2,412)
Purchase of intangible assets	6	-	(4)
Net cash flows from/(used in) investing activities		438	(2,414)
FINANCING ACTIVITIES			
Proceeds from borrowings to banks		8,912	25,735
Repayment of borrowings to banks		(8,923)	(20,865)
Proceeds from borrowings to related parties		-	501
Repayment of borrowings to related parties		-	(4,366)
Interest paid		(284)	(293)
Net cash flows used in financing activities		(295)	712
Net increase/ (decrease) in cash and cash equivalents		6	(49)
Cash and cash equivalents at 1 January		3	52
Cash and cash equivalents at 31 December	9	9	3

Manousos Petrakakis
Executive Director



The accompanying notes to the financial statements on pages 7 to 38 form an integral part of these financial statements.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

1. Corporate information

The financial statements of Zlatna Panega Beton EOOD (the Company) for the year ended 31 December 2009 were authorized for issue by the Executive Director on 29 January 2010.

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

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

As of 31 December 2009 the sole owner of the Company is Zlatna Panega Cement AD, incorporated and domiciled in Zlatna Panega, Bulgaria.

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

2.1. Basis of preparation

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

Statement of compliance

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

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

Going concern

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

For the year ended 31 December 2009 the Company incurred net loss of EUR 983 thousand (2008: EUR 622 thousand) and its current liabilities exceed its current assets by EUR 5,664 thousand as of 31 December 2009 (2008: EUR 5,650 thousand). This may cast doubts as regards its ability to continue its activities as a going concern. The future viability of the Company depends upon the business environment as well as upon the continuing support of the sole owner and providers of finance as the major part (89%) of total current liabilities comprised of loans to banks and payables to related parties. The management analyzed the ability of Zlatna Panega Beton EOOD to continue operations in the near future and have taken measures to strengthen its position by obtaining financial support from the parent company and other related parties. For the financial year 2009 closing the Company has been provided with binding letter of support from the parent company, stating that adequate funds and full support would be provided to enable the Company to continue operations at least until the next twelve-month period.

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

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.2. Changes in accounting policies and disclosures

New and amended standards and interpretations effective for reporting periods ended 31 December 2009

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

The Company has adopted the following new and amended IFRS and International Financial Reporting Interpretations Committee (“IFRIC”) interpretations as of 1 January 2009:

IFRS 1 First-time Adoption (Amended)

IFRS 2 Share-based Payments – Vesting Conditions and Cancellations (Amendment)

IFRS 7 Financial Instruments: Disclosures (Amendment)

IFRS 8 Operating Segments

IAS 1 Presentation of Financial Statements (Revised)

IAS 23 Borrowing Costs (Revised)

IAS 27 Consolidated and Separate Financial Statements (Amended)

- IAS 32 *Financial Instruments: Presentation* and IAS 1 *Puttable Financial Instruments and Obligations Arising on Liquidation*
- IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 13 *Customer Loyalty Programmes* effective for annual periods beginning on or after 1 July 2008
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*
- IFRIC 18 *Transfers of Assets from Customers*
- *Improvements to IFRSs (issued in 2008 and 2009)*

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

IFRS 1 First-time Adoption (Amended) – Cost of investments in subsidiaries, jointly controlled entities or associates

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. As the Company is not first time adopter of IFRS, these amendments did not have an impact on its financial statements.

IFRS 2 Share-based Payments – Vesting Conditions and Cancellations (Amendment)

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 did not have impact on it.

IFRS 7 Financial Instruments: Disclosures (Amendment)

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 18. The fair value measurement and liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 18 and 17, respectively.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.2. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations effective for reporting periods ended 31 December 2009 (continued)

IFRS 8 Operating Segments

IFRS 8 replaced IAS 14 Segment Reporting. 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 statement of financial position and statement of comprehensive income and entities will need to provide explanations and reconciliations of the differences. As the Company does not report any operating segment, this standard did not have impact on it.

IAS 1 Presentation of Financial Statements (Revised)

The standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a reconciliation of each component of equity. 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 has elected to present one single statement.

IAS 23 Borrowing Costs (Revised)

The revised standard requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of 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's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended IAS 23, the Company has adopted the standard on a prospective basis. Therefore, borrowing costs are 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 27 Consolidated and Separate Financial Statements (Amended) – Cost of investments in subsidiaries, jointly controlled entities or associates

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. The revision to IAS 27 will have to be applied prospectively. 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 amendments of IAS 27 did not have an impact on the financial statements of the Company.

IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation

The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified criteria. The amendments did not have any impact on the financial statements of the Company.

IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement

This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. The adoption of these amendments did not have any impact on the financial position or the performance of the Company.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.2. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations effective for reporting periods ended 31 December 2009 (continued)

IFRIC 12 Service Concession Arrangements

This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The interpretation did not have any impact on the financial statements of the Company.

IFRIC 13 Customer Loyalty Programmes

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 adoption of this Interpretation did not have any impact on the financial statements of the Company as no such schemes currently exist.

IFRIC 15 Agreements for the Construction of Real Estate

The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue*. This interpretation did not have any impact on the Company's financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and 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. This interpretation did not have any impact on the Company's financial statements.

IFRIC 18 Transfers of Assets from Customers

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? This interpretation did not have any impact on the Company's financial position or performance.

Improvements to IFRSs (issued in 2008 and 2009)

In May 2008 and April 2009, the International Accounting Standards Board ("IASB") issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: When a subsidiary is held for sale, all of its assets and liabilities shall be classified as held for sale under IFRS 5, even when the entity will retain a non-controlling interest in the subsidiary after the sale. As the Company does not report a subsidiary held for sale, this amendment did not have any impact on the Company's financial statements.
- *IAS 1 Presentation of Financial Statements*: Assets and liabilities classified as held for trading in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.2. Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations effective for reporting periods ended 31 December 2009 (continued)

Improvements to IFRSs (issued in 2008 and 2009) (continued)

- IAS 16 *Property, Plant and Equipment*: Replaces the term “net selling price” with “fair value less costs to sell”.
- IAS 18 *Revenue*: The Board has added guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:
 - Has primary responsibility for providing the goods or service
 - Has inventory risk
 - Has discretion in establishing prices
 - Bears the credit risk

The Company has assessed its revenue arrangements against these criteria and concluded that it is acting as principal in all arrangements. The revenue recognition accounting policy has been updated accordingly.

- IAS 20 *Accounting for Government Grants and Disclosures of Government Assistance*: Loans granted with no or low interest will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates.
- IAS 23 *Borrowing Costs*: The definition of borrowing costs is revised to consolidate the two types of items that are considered components of ‘borrowing costs’ into one – the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.
- IAS 36 *Impairment of Assets*: When discounted cash flows are used to estimate ‘fair value less cost to sell’ additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate ‘value in use’.
- IAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognised as an expense when the Company either has the right to access the goods or has received the service.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 7 *Financial Instruments: Disclosures*
- IAS 8 *Accounting Policies, Change in Accounting Estimates and Error*
- IAS 10 *Events after the Reporting Period*
- IAS 19 *Employee Benefits*
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 28 *Investments in Associates*
- IAS 29 *Financial Reporting in Hyperinflationary Economics*
- IAS 31 *Interest in Joint Ventures*
- IAS 34 *Interim Financial Reporting*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IAS 40 *Investment Properties*
- IAS 41 *Agriculture*

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.3. Significant accounting judgements, estimates and assumptions

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

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

Retirement benefits

The cost of retirement benefit plan is determined using actuarial valuation for the financial year 2009. 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 2009 is EUR 35 thousand (2008: EUR 31 thousand). Further details are given in note 11 to the financial statements.

Useful lives of property plant and equipment, and intangible assets

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and their residual values. The determination of the useful lives of the assets is based on management's judgment. Further details are provided in note 5 and note 6.

Provision for impairment of receivables

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful receivables, management bases its estimates on the aging of accounts receivable, balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. At 31 December 2009 the best estimate of the provision for impairment of receivables is EUR 58 thousand (2008: EUR 11 thousand). Further details are provided in note 8.1.

ZLATNA PANEGA BETON EOOD

NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

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 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 to the functional currency 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 recognized 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 recognized 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 derecognized 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 statement of comprehensive income in the year the asset is derecognized.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessary takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consists of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company capitalizes borrowing costs for all eligible assets where construction has been commenced on or after 1 January 2009. The Company continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2009.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.4. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization 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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization 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 amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognizing of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Impairment of non-financial assets

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

Impairment losses of continuing operations are recognized 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 recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

Financial assets

Initial recognition

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

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

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.4. Summary of significant accounting policies (continued)

Financial assets (continued)

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

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

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial liabilities

Initial recognition

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

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

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

Interest bearing loans and borrowings

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

Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Amortised cost of financial instruments

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

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.4. Summary of significant accounting policies (continued)

Impairment of financial assets

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

Assets carried at amortised cost

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 18.

Issued capital

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

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized 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,

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.4. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial assets (continued)

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 recognized 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 derecognized 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 recognized in profit or loss.

Inventories

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

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

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

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

Cash and cash equivalents

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

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

Provisions

General

Provisions are recognized 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 statement of comprehensive income 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.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.4. Summary of significant accounting policies (continued)

Retirement benefits

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

The past service cost is recognized 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 recognized immediately.

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

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

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

Company as a lessor

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

Revenue recognition

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

Sale of goods

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

Rendering of services

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

Rental income

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

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

2.4. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Interest income

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

Taxes

Current income tax

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

Deferred income tax

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

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

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

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

Value added tax

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

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

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

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

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 July 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 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.

IAS 39 Financial Instruments: Recognition and Measurement (Amended), effective for annual periods beginning on or after 1 July 2009.

The amendment becomes effective for annual periods beginning on or after 1 July 2009. It relates to eligible hedged items and addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges. IAS 39 has not been yet endorsed by EU.

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 affect the financial reporting of future agreements for the construction of real estate by the Company. IFRIC 15 has not been yet endorsed by EU.

2.5 Future changes in accounting policies (continued)

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

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. IFRIC 17 has not been yet endorsed by 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 been yet endorsed by EU.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2009

3. Expenses and other revenues

3.1. Cost of sales

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Variable costs		
Cement	(2,462)	(6,015)
Aggregates	(1,314)	(3,640)
Cost of purchased concrete	-	(1,511)
Freight	(550)	(1,075)
Additives	(199)	(468)
Fuel and oil	(85)	(250)
Repair and maintenance	(20)	(53)
Electricity	(36)	(53)
Other variable costs	(110)	(234)
Fixed costs		
Plant salaries, wages and related expenses	(384)	(608)
Depreciation	(317)	(595)
Repair and maintenance cost	(22)	(74)
Plant utilities	(18)	(46)
Insurance and taxes	(37)	(41)
Contract labour	(17)	(32)
Amortisation	(25)	(27)
Other fixed costs	(215)	(379)
	<u>(5,811)</u>	<u>(15,101)</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2009

3. Expenses and other revenues (continued)

3.2. Selling and distribution costs

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Salaries and related expenses	(100)	(121)
Travel - entertainment	(2)	(4)
Advertising and promotion	(3)	(10)
Repairs and maintenance	(2)	(2)
Other distribution costs	(57)	(40)
	<u>(164)</u>	<u>(177)</u>

3.3. Administrative expenses

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Salaries and related expenses	(248)	(286)
Car expenses	(40)	(43)
Consultancy fees	(31)	(17)
Depreciation	(24)	(38)
Insurance and taxes	(42)	(34)
Utilities	(13)	(18)
Travel - entertainment	(10)	(15)
Repairs and maintenance	(7)	(7)
Supplies	(4)	(7)
Audit fees	(4)	(5)
Other	(50)	(63)
	<u>(473)</u>	<u>(533)</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

3. Expenses and other revenues (continued)

3.4. Other expenses

	<u>2009</u>	<u>2008</u>
	€000	€000
Shortage and scrap of assets	(5)	(9)
Employee unused leave accrual	-	(8)
Retirement benefit charge	(4)	(6)
Expenses pertaining to disposals of fixed assets	(16)	(3)
Cost of goods, materials and scrap sold	(38)	-
Provisions for impairment of trade receivables (note 8.1)	(51)	-
Other	(41)	(26)
	<u>(155)</u>	<u>(52)</u>

3.5. Expenses by nature

	<u>2009</u>	<u>2008</u>
	€000	€000
Materials used and recognized as an expenses	(4,231)	(12,233)
Hired services	(1,026)	(1,771)
Depreciation (note 5)	(341)	(633)
Amortisation (note 6)	(25)	(27)
Employee benefits expense (note 3.6)	(736)	(1,029)
Other	(244)	(170)
Total cost of sales, selling and distribution, administrative and other expenses	<u>(6,603)</u>	<u>(15,863)</u>

3.6. Employee benefits expense

	<u>2009</u>	<u>2008</u>
	€000	€000
Wages and salaries	(615)	(840)
Social security costs	(100)	(155)
Retirement benefits (note 11)	(4)	(6)
Other related expenses	(17)	(28)
	<u>(736)</u>	<u>(1,029)</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2009

3. Expenses and other revenues (continued)

3.7. Other income

	<u>2009</u>	<u>2008</u>
	€000	€000
Income from the sales of scrap and materials	34	28
Rental income	57	72
Reversal of provisions from prior years (note 8.1)	4	8
Surplus of assets	1	9
Penalties for delayed payments	-	9
Profit from sale of tangible assets	9	-
Other	94	20
	<u>199</u>	<u>146</u>

3.8. Finance costs

	<u>2009</u>	<u>2008</u>
	€000	€000
Interest on bank loans and overdrafts	(284)	(153)
Interest on loans received from related parties (note 15)	-	(115)
Fee expense	(8)	(7)
	<u>(292)</u>	<u>(275)</u>

4. Income tax

The major components of income tax benefit for the year ended 31 December 2009 and 2008 are:

	<u>2009</u>	<u>2008</u>
	€000	€000
Current income tax charge	-	-
Deferred tax expense	(33)	(8)
Income tax expense reported in the statement of comprehensive income	<u>(33)</u>	<u>(8)</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

4. Income tax (continued)

In 2009 the nominal statutory tax rate is 10% (2008: 10%).

Reconciliation between income tax expense and the result of accounting loss multiplied by the statutory tax rate for the years ended 31 December 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Accounting loss before income tax	(950)	(614)
Income tax expense at statutory tax rate of 10 % for 2009 (2008: 10%)	95	61
Expenses not deductible for tax purposes	(2)	(12)
Tax losses for which no deferred income tax asset was recognised	(134)	(49)
Other	8	(8)
Income tax expense	<u>(33)</u>	<u>(8)</u>

Deferred income tax at 31 December relates to the following:

	<u>Balance sheet</u>		<u>Statement of comprehensive income</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	(62)	(27)	(35)	1
<i>Deferred tax asset</i>				
Unused leave allowance	3	7	(4)	1
Tax loss carry forward	-	-	-	(3)
Retirement benefits	4	3	1	-
Provision for impairment of receivables	6	1	5	(7)
	<u>13</u>	<u>11</u>		
Deferred tax expense			<u>(33)</u>	<u>(8)</u>
Deferred tax liability, net	<u>(49)</u>	<u>(16)</u>		

The Company has incurred tax losses as follows,

<u>Tax period</u>	<u>Period for utilization of tax losses carried forward</u>	<u>2009</u>	<u>2008</u>
		<u>€000</u>	<u>€000</u>
2009	2010 through 2014	1,342	-
2008	2009 through 2013	460	460
2007	2008 through 2012	25	25
		<u>1,827</u>	<u>485</u>
Applicable tax rate		<u>10%</u>	<u>10%</u>
Unrecognized deferred tax asset		<u>183</u>	<u>49</u>

Tax losses incurred are available for offset against future taxable profits within five-year period, as mentioned above. Since the amounts and timing of future taxable income cannot be estimated reliably due to uncertainties in the Company's economic environment, no deferred tax asset has been recognized for the tax losses carried forward as at 31 December 2009.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2009

5. Property, plant and equipment

	Land and buildings	Plant and machinery	Vehicles	Furniture and fittings	Assets under construction	Total
	€000	€000	€000	€000	€000	€000
Cost:						
At 1 January 2008	3,320	2,974	3,147	150	487	10,078
Additions	137	215	-	27	2,172	2,551
Transfers	372	1,190	14	73	(1,649)	-
Disposals	-	-	-	(1)	-	(1)
At 31 December 2008	3,829	4,379	3,161	249	1,010	12,628
At 1 January 2009	3,829	4,379	3,161	249	1,010	12,628
Additions	1	5	-	8	12	26
Transfers	27	381	-	-	(408)	-
Disposals	(133)	(368)	(86)	(6)	(92)	(685)
At 31 December 2009	3,724	4,397	3,075	251	522	11,969
Depreciation and Impairment:						
At 1 January 2008	387	1,172	1,560	69	-	3,188
Depreciation charge for the year	65	264	272	32	-	633
At 31 December 2008	452	1,436	1,832	101	-	3,821
At 1 January 2009	452	1,436	1,832	101	-	3,821
Depreciation charge for the year	34	198	87	22	-	341
Disposals	(7)	-	(85)	(1)	-	(93)
At 31 December 2009	479	1,634	1,834	122	-	4,069
Net book value:						
At 1 January 2008	2,933	1,802	1,587	81	487	6,890
At 31 December 2008	3,377	2,943	1,329	148	1,010	8,807
At 31 December 2009	3,245	2,763	1,241	129	522	7,900

Useful lives

The useful lives of the assets are estimated as follows:

	2009	2008
Buildings	50 years	25 years
Plant and machinery	4 to 20 years	4 to 10 years
Vehicles	5 to 7 years	5 to 7 years
Furniture and fittings	7 years	7 years

Effective 1 January 2009 the Company reestimated the useful life of certain machineries and buildings. The effect from the change in the current year is as follows:

Depreciation expense before the change – EUR 592 thousand

Depreciation expense after the change – EUR 244 thousand

Effect – EUR 348 thousand

The amount of the effect in future periods is not disclosed because estimating it is impracticable.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2009

5. Property, plant and equipment (continued)

Assets under construction

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

6. Intangible assets

	<u>Licenses</u>	<u>Computer software</u>	<u>Total</u>
Cost:	€000	€000	€000
At 1 January 2008	21	71	92
Additions	4	-	4
Disposals	-	(1)	(1)
At 31 December 2008	<u>25</u>	<u>70</u>	<u>95</u>
At 1 January 2009	25	70	95
At 31 December 2009	<u>25</u>	<u>70</u>	<u>95</u>
Amortisation and impairment:			
At 1 January 2008	16	14	30
Amortisation charge for the year	4	23	27
At 31 December 2008	<u>20</u>	<u>37</u>	<u>57</u>
At 1 January 2009	20	37	57
Amortisation charge for the year	1	24	25
At 31 December 2009	<u>21</u>	<u>61</u>	<u>82</u>
Net book value:			
At 1 January 2008	<u>5</u>	<u>57</u>	<u>62</u>
At 31 December 2008	<u>5</u>	<u>33</u>	<u>38</u>
At 31 December 2009	<u>4</u>	<u>9</u>	<u>13</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:

Licenses	3 to 15 years
Computer software	5 years

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2009

7. Inventories

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Raw materials (at cost)	121	227
	<u>121</u>	<u>227</u>

8. Trade and other receivables

8.1. Trade receivables

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Trade receivables	1,025	3,111
Receivables under court procedure	137	11
Less: Provision for impairment	(58)	(11)
Trade receivables, net	<u>1,104</u>	<u>3,111</u>

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

As at 31 December 2009, trade receivables at nominal value of EUR 60 thousand (2008: EUR 11 thousand) were provided for impairment following receivable collectability analysis performed by the Company's management. Movements in the allowance for impairment of receivables were as follows:

	<u>Allowance for individually impaired receivables</u>
	<u>€000</u>
At 1 January 2008	78
Charge for the year	-
Reversed	(8)
Utilised	(59)
At 31 December 2008	<u>11</u>
At 1 January 2009	11
Charge for the year	51
Reversed	(4)
31 December 2009	<u>58</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

8. Trade and other receivables (continued)

8.1. Trade receivables (continued)

The aging analysis of trade receivables is as follows:

	Total €000	Neither past due nor impaired €000	Past due but not impaired				
			< 30 days €000	30-60 days €000	60-90 days €000	90-120 days €000	>120 days €000
2009	1,104	336	200	224	179	13	152
2008	3,111	831	973	639	568	10	90

8.2. Other receivables

	2009	2008
	€000	€000
Deferred expenses	-	34
Other receivables	29	15
	<u>29</u>	<u>49</u>

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

9. Cash and cash equivalents

	2009	2008
	€000	€000
Cash in hand	2	1
Cash at bank	7	2
	<u>9</u>	<u>3</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

10. Issued capital

	2009	2008
	€000	€000
Shares of EUR 5 each, as per court registration	3,564	3,564
	<u>3,564</u>	<u>3,564</u>
	<u>Number of shares (thousands)</u>	<u>Authorized capital</u>
		€000
At 1 January 2008	697	3,564
At 1 January 2009	697	3,564
At 31 December 2009	<u>697</u>	<u>3,564</u>

All shares issued were fully paid.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2009

11. Retirement benefits

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

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

Net benefit expense

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Current service cost	(3)	(5)
Interest cost	(1)	(1)
Net benefit expense recognised in the statement of comprehensive income (note 3.6)	<u>(4)</u>	<u>(6)</u>

Benefit liability

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Present value of defined benefit obligation	35	31
Benefit liability recognised in the balance sheet	<u>35</u>	<u>31</u>

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

	<u>Amount</u>
	<u>€000</u>
Retirement benefit obligation at 1 January 2008	25
Interest cost	1
Current service cost	5
Retirement benefit obligation at 31 December 2008	<u>31</u>
Interest cost	1
Current service cost	3
Retirement benefit obligation at 31 December 2009	<u>35</u>

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

	<u>2009</u>	<u>2008</u>
Discount rate	6%	6%
Future salary increases	2.5%	10%

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Retirement benefit obligation	35	31	25	22	19
Experience adjustment on plan liabilities	-	-	-	-	-

13.1. Trade payables

	<u>2009</u>	<u>2008</u>
	€000	€000
Trade payables to domestic suppliers	164	440
Trade payables to foreign suppliers	-	50
	<u>164</u>	<u>490</u>

13.2. Other payables

	<u>2009</u>	<u>2008</u>
	€000	€000
Unused paid leave	27	65
Payables to employees	22	35
VAT payable	28	28
Social security	13	14
Insurance premium payable	-	7
Payroll taxes	2	4
Other taxes	-	1
Other payables	10	3
	<u>102</u>	<u>157</u>

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

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

14. Advances received

	<u>2009</u>	<u>2008</u>
	€000	€000
Advance received from clients	16	143
Advances received from related parties (note 15)	511	511
	<u>527</u>	<u>654</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

15. Related party disclosures

The ultimate parent

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

Entity with controlling interest in the Company

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

Other related parties

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

Titan Beton and Aggregates Egypt LLC and Zlatna Panega Beton EOOD are related parties because they are under the common control of Titan Cement Company S.A. Greece.

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

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

		Sales to related parties	Purchases from related parties	Amounts owed from related parties	Amounts owed to related parties
		€000	€000	€000	€000
In respect of sales/ purchases from related party					
<i>Entity with controlling interest in the Company</i>					
Zlatna Panega Cement AD	2009	207	2,416	-	1,773
Zlatna Panega Cement AD	2008	233	6,050	23	3,354
<i>Other related parties</i>					
Granitoid AD	2009	-	-	-	-
Granitoid AD	2008	-	3	-	-
Holcim karierni materiali Sofia AD	2009	-	276	-	64
Holcim karierni materiali Sofia AD	2008	-	359	-	41
Holcim karierni materiali Plovdiv AD	2009	-	60	-	3
Holcim karierni materiali Plovdiv AD	2008	-	643	-	51
Titan Beton and Aggregates Egypt LLC	2009	15	-	15	-
Titan Beton and Aggregates Egypt LLC	2008	-	-	-	-
Gravel and Sand Pits Bulgaria AD	2009	2	-	-	-
Gravel and Sand Pits Bulgaria AD	2008	-	-	-	-
	2009			<u>15</u>	<u>1,840</u>
	2008			<u>23</u>	<u>3,446</u>

As of 31 December 2009 is not included in amount owed to related parties is an advance received from parent company Zlatna Panega Cement AD of EUR 511 thousand (2008: EUR 511 thousand) (note 14).

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2009

15. Related party disclosures (continued)

		<u>Interest income</u>	<u>Interest expense</u>	<u>Amounts owed from related parties</u>	<u>Amounts owed to related parties</u>
		€000	€000	€000	€000
In respect of loans from related party					
<i>Entity with controlling interest in the Company</i>					
Zlatna Panega Cement AD	2009	-	-	-	-
Zlatna Panega Cement AD	2008	-	115	-	-

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 and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Compensation of key management personnel

	<u>2009</u>	<u>2008</u>
	€000	€000
Short-term employee benefits	157	131
	<u>157</u>	<u>131</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

16. Commitments and contingencies

Capital commitments

The Company has no capital commitments as of 31 December 2009 and 31 December 2008.

Guarantees

The Company has provided no guarantees as of 31 December 2009 and 31 December 2008.

Operating lease commitments – Company as a lessee

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

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

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Within one year	15	38
After one year but not more than five years	10	42
More than five years	-	-
	<u>25</u>	<u>80</u>

Legal claims

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

Other

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

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

The directors do not believe that, as of 31 December 2009, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

17. Financial risk management objectives and policies

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

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

Interest rate risk

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

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

	<u>Increase/ decrease in basis points</u>	<u>Effect on loss before tax</u>
		€000
2009		
Loans in BGN	+200	(96)
Loans in BGN	-100	48
2008		
Loans in BGN	+200	(70)
Loans in BGN	-100	35

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

17. Financial risk management objectives and policies (continued)

Liquidity risk

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

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2009 based on contractual undiscounted payments.

As at 31 December 2009

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest bearing loans to banks	-	4,859	-	-	-	4,859
Payables to related parties	815	514	-	-	-	1,329
Trade payables	-	164	-	-	-	164
Other payables	-	102	-	-	-	102
	815	5,639	-	-	-	6,454

As at 31 December 2008

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest bearing loans to banks	-	4,870	-	-	-	4,870
Payables to related parties	-	2,141	794	-	-	2,935
Trade payables	-	490	-	-	-	490
Other payables	-	157	-	-	-	157
	-	7,658	794	-	-	8,452

Foreign exchange risk

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

Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 8.1. There are no significant concentrations of credit risk within the Company.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and other financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

As of 31 December 2009

17. Financial risk management objectives and policies (continued)

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the sole owner, return capital to the sole owner or issue new shares, following sole owner's approval. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 31 December 2008.

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

	<u>2009</u>	<u>2008</u>
	€000	€000
EBITDA	<u>(292)</u>	<u>321</u>

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

18. Financial instruments

Fair values

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

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

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

19. Events after the balance sheet date

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