



ZLATNA PANEGA CEMENT AD

ANNUAL FINANCIAL STATEMENTS

31 December 2009

ZLATNA PANEGA CEMENT AD

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ZLATNA PANEGA CEMENT AD

General Information

Directors

Alexandar Nakov Chakmakov
Michalis Sigalas
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

EFG Eurobank – Lovech Branch
Alpha Bank – Sofia
Societe General – Expressbank, Sofia
BNP Paribas
United Bulgarian Bank – Sofia

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 2009

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 2009. 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 period results

The results of the current year activities are seen as positive since the profit before tax of the Company amounted to EUR 11,295 thousand. During 2009 the Company sold 693 thousand tons of cement (2008: 1,497 thousand tons). The significant decrease of the quantities sold contributed for the decrease of revenue for the current period by EUR 68,389 thousand.

Dividends and distribution of profits

At the General Meeting of the Shareholders held on 20 March 2009, a decision was taken to distribute dividends of EUR 20,234 thousand. These dividends were fully paid as of 31 December 2009.

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 2009 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 2009. 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 2009

OBJECTIVES OF THE COMPANY FOR 2010

The Directors are set to achieve the following objectives for 2010:

- Increase of the effectiveness of industrial performance
- Keeping of the market position in the conditions of extremely decreased construction market
- Decrease of the variable and the fixed costs of the Company.
- Finalize the Capex projects Vertical Cement Mill 9 and Silos for Raw Materials

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 quality improvement and stability 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 2009 the Board of Directors consists of:

1. Alexandar Nakov Chakmakov
2. Mihalis Sigalas
3. Konstantinos Derdemezis
4. Fokion Tasoulas

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 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.

Alexandar Chakmakov
Executive director

Zlatna Panega Cement AD
Zlatna Panega

29 January 2010



Independent Auditor's 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 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

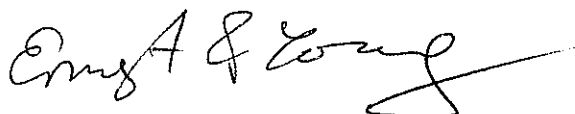
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether 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 Cement AD 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 cursive script, appearing to read 'Ernst & Young', written in black ink.

Ernst & Young Audit OOD

Sofia, Bulgaria

01 February 2010

ZLATNA PANEGA CEMENT AD
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	2009	2008
		€000	€000
Sale of cement products		49,490	109,018
Rendering of transport services		6,217	15,078
Revenue		55,707	124,096
Cost of sales	3.1	(37,658)	(72,745)
Gross profit		18,049	51,351
Other income	3.7	904	486
Selling and distribution costs	3.2	(673)	(618)
Administrative expenses	3.3	(4,062)	(4,127)
Other expenses	3.4	(931)	(749)
Operating profit		13,287	46,343
Finance income	3.8	4	380
Finance costs	3.9	(1,996)	(1,848)
Profit before tax		11,295	44,875
Income tax	4	(951)	883
Profit for the period		10,344	45,758
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		10,344	45,758

Chief Executive Officer
Alexander Chakmakov



The accompanying notes to the financial statements on pages 7 to 45 form an integral part of these financial statements.

ZLATNA PANEGA CEMENT AD
BALANCE SHEET
As of 31 December 2009

	Notes	2009 €000	2008 €000
ASSETS			
Non-current assets			
Property, plant and equipment	5	67,925	72,024
Investment property	6	503	-
Intangible assets	7	123	128
Investments in subsidiaries	8.1	3,633	3,633
Available-for-sale investments	8.2	21	21
Other financial assets	9	60	53
		<u>72,265</u>	<u>75,859</u>
Current assets			
Inventories	10	11,449	16,440
Trade receivables	11	11,425	8,992
Other receivables		118	60
Receivables from related parties	19	1,331	2,885
Prepayments	12	1,225	1,979
Income tax receivables		1,587	1,562
Cash and short-term deposits	13	56	39
		<u>27,191</u>	<u>31,957</u>
TOTAL ASSETS		<u>99,456</u>	<u>107,816</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	14.1	28,602	28,602
Legal reserve	14.2	1,645	1,645
Retained earnings		35,989	45,879
Total equity		<u>66,236</u>	<u>76,126</u>
Non-current liabilities			
Interest-bearing loans to banks	15	12,271	-
Restoration provision	16	1,463	1,767
Retirement benefit liability	17	212	193
Deferred tax liability	4	1,625	949
		<u>15,571</u>	<u>2,909</u>
Current liabilities			
Trade payables	18.1	2,024	3,738
Other payables	18.2	834	1,530
Interest-bearing loans to banks	15	13,786	22,951
Payables to related parties	19	1,005	562
		<u>17,649</u>	<u>28,781</u>
Total liabilities		<u>33,220</u>	<u>31,690</u>
TOTAL EQUITY AND LIABILITIES		<u>99,456</u>	<u>107,816</u>

Chief Executive Officer
Alexander Chakmakov

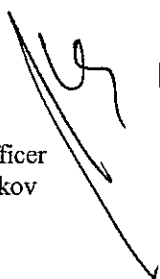


The accompanying notes to the financial statements on pages 7 to 45 form an integral part of these financial statements.

ZLATNA PANEGA CEMENT AD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

	Issued capital (note 14.1)	Legal reserve (note 14.2)	Retained earnings	Total
	€000	€000	€000	€000
At 1 January 2008	28,602	1,645	31,375	61,622
Total comprehensive income for the year	-	-	45,758	45,758
Distribution of dividends (note 20)	-	-	(31,254)	(31,254)
At 31 December 2008	28,602	1,645	45,879	76,126
At 1 January 2009	28,602	1,645	45,879	76,126
Total comprehensive income for the year	-	-	10,344	10,344
Distribution of dividends (note 20)	-	-	(20,234)	(20,234)
At 31 December 2009	28,602	1,645	35,989	66,236

Chief Executive Officer
Alexander Chakmakov

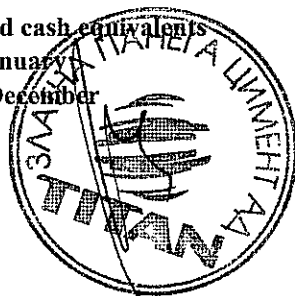



The accompanying notes to the financial statements on pages 7 to 45 form an integral part of these financial statements.

ZLATNA PANEGA CEMENT AD
CASH FLOW STATEMENT
For the year ended 31 December 2009

	Notes	<u>2009</u>	<u>2008</u>
		€000	€000
OPERATING ACTIVITIES			
Profit before tax		11,295	44,875
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	5	6,761	6,474
Amortisation of intangible assets	7	56	36
Gain on disposal of property, plant and equipment		(8)	(51)
Movement in doubtful debt allowance	11	314	79
Movement in restoration provision	16	(304)	184
Movement in employee benefit liability		19	10
Interest income	3.8	(2)	(229)
Interest expense	3.9	1,897	1,709
Working capital adjustments:			
Decrease / (Increase) in inventories		4,991	(7,256)
Increase in trade and other receivables		(1,887)	(4,289)
Decrease/(Increase) in prepayments		559	(779)
Increase in other financial assets		(7)	(9)
Decrease in trade and other payables		(2,142)	(829)
Income tax paid		(300)	(1,647)
Net cash flows from operating activities		21,242	38,278
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		13	177
Purchase of property, plant and equipment		(2,823)	(11,170)
Purchase of intangible assets		(51)	(97)
Disbursement of loans from related parties		-	(2,111)
Proceeds from loans from related parties		-	8,271
Interest received		2	229
Net cash flows used in investing activities		(2,859)	(4,701)
FINANCING ACTIVITIES			
Proceeds from interest-bearing loans		81,255	154,000
Repayment of interest-bearing loans		(78,152)	(154,987)
Proceeds from loans from related parties		665	342
Repayment of loans from related parties		(12)	-
Interest paid		(1,888)	(1,708)
Dividends paid	20	(20,234)	(31,254)
Net cash flows used in financing activities		(18,366)	(33,607)
Net increase/(decrease) in cash and cash equivalents		17	(30)
Cash and cash equivalents at 1 January		39	69
Cash and cash equivalents at 30 December	13	56	39

Chief Executive Officer
Alexander Chakmakov



The accompanying notes to the financial statements on pages 7 to 45 form an integral part of these financial statements.

ZLATNA PANEGA CEMENT AD
NOTES TO THE FINANCIAL STATEMENTS
As of 31 December 2009

1. Corporate information

The annual financial statements of Zlatna Panega Cement AD (the Company) for the year ended 31 December 2009 were authorized for issue in accordance with a resolution of the Board of Directors on 29 January 2010.

Zlatna Panega Cement AD is a joint stock company. The Company has been incorporated and is domiciled in Zlatna Panega, Bulgaria with a resolution of the National Register 63/1989 430 and its fiscal year end is 31 December.

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

As of 31 December 2009 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 except for investment properties which are stated at fair value. 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.

2.2. Changes in accounting policy 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 23. The fair value measurement and liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 23 and 22, respectively.

2.2. Changes in accounting policy 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 balance sheet 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.

2.2. Changes in accounting policy 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 balance sheet.

2.2. Changes in accounting policy 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*

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 recognizes 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 2009 the best estimate of the restoration provision was EUR 1,463 thousand (31 December 2008: EUR 1,767 thousand). Further details are provided in Note 16 to the financial statements.

Retirement benefits

The retirement benefit obligation is determined using actuarial valuation for 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 212 thousand (31 December 2008: EUR 193 thousand). Further details are provided in Note 17 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 7.

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 2009 the best estimate of the provision for impairment of receivables is EUR 599 thousand (31 December 2008: EUR 285 thousand). Further details are provided in Note 11.

Investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of comprehensive income. The key assumptions used to determine the fair value of the investment properties, are further explained in Note 6.

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 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 statement of comprehensive income in the year the asset is derecognised.

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

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of comprehensive income in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the statement of comprehensive income in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.4 Summary of significant accounting policies (continued)

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.

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.

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 8.1.

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 8.2). 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 statement of comprehensive income 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.

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.

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.

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 23.

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 14.1. 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.

2.4 Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

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

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

Inventories

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

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

Raw materials	–	Purchase cost on a weighted average basis;
Finished goods 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 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.

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 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. Restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the restoration liability. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as a finance cost. The estimated future costs of restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are recognised in the statement of comprehensive income.

2.4 Summary of significant accounting policies (continued)

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.

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 statement of comprehensive income 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.

2.4 Summary of significant accounting policies (continued)

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 period.

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, 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.

Deferred income tax (continued)

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

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

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

Value added tax

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

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

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

2.4 Summary of significant accounting policies (continued)

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.

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 2010 or later periods but which the Company has not early adopted, as follows:

IFRS 1 Additional Exemptions for First-time Adopters (Amendments)

The amendments to IFRS 1 were issued in July 2009 and become effective for annual periods beginning on or after 1 January 2010. These amendments provide for additional exemptions from full retrospective application of IFRS for the measurement of oil and gas assets and the assessment of leasing contracts in accordance with IFRIC 4. The Company does not expect these amendments to impact its financial statements. These amendments have not yet been endorsed by the EU.

IFRS 2 Group Cash-settled Share-based Payment Transactions (Amendments)

These amendments to IFRS 2 were issued in June 2009 and become effective for annual periods beginning on or after 1 January 2010. These amendments clarify the scope and the accounting for group cash-settled share-based payment transactions. The Company does not expect these amendments to impact its financial position or performance. These amendments have not yet been endorsed by the EU.

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 annual periods beginning on or after 1 July 2009. The revised IFRS 3 introduces a number of changes in the accounting for business combinations occurring after this date 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 (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give raise 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 or loss of control and transactions with minority interests.

IFRS 9 Financial Instruments

The first phase of IFRS 9 *Financial Instruments* was issued in November 2009 and becomes effective from 1 January 2013. The main focus of the first phase is the classification and measurement of financial assets. The impact from the first phase of the new IFRS 9 is expected to be analysed by the Company. This standard has not yet been endorsed by the EU.

IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for annual periods beginning on or after 1 July 2009. The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Company does not expect these amendments to impact its financial statements.

2.5. Future changes in accounting policies (continued)

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

IAS 24 Related Party Disclosures (Revised)

The amendments to IAS 24 were issued in November 2009 and become effective for annual periods beginning 1 January 2011. The revised version of IAS 24 clarifies and simplifies the definition of a related party. The Company does not expect these amendments to impact its financial statements. The revised standard has not yet been endorsed by the EU.

IFRIC 14 Prepayment of a Minimum Funding Requirement (Amendment)

This amendment was issued in November 2009 and is effective for annual periods beginning 1 January 2011. This amendment will allow these entities to recognise a prepayment of pension contributions as an asset rather than an expense. The Company does not expect the amendment to impact its financial statements. This amendment 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.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 was issued in November 2009 and is effective for annual periods 1 July 2010. The IFRIC clarifies the measurement of equity instruments issued to a creditor to extinguish a financial liability as well as the treatment of the difference between the fair value of the equity instruments issued and the carrying amount of the financial liability that is extinguished. 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.

Improvements to IFRSs (issued in 2008 and 2009)

Improvements to IFRSs were issued in 2008 and 2009 by the International Accounting Standards Board as its second omnibus of amendments to its standards. Most of the amendments become effective for annual periods beginning on or after 1 January 2010. The impacts of the first-time application of these amendments on the Company's financial statements are currently being reviewed. These amendments have not yet been endorsed by the EU.

ZLATNA PANEGA CEMENT AD
 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>
	€000	€000
Variable costs		
Distribution expenses – freight	(6,256)	(15,148)
Kiln fuel	(8,016)	(12,816)
Electricity	(3,667)	(6,920)
Raw materials	(3,585)	(11,218)
Purchase of clinker	-	(8,649)
Refractory	(712)	(930)
Grinding media	(33)	(320)
Fuel and oil	(428)	(803)
Other expenses	(77)	(70)
Fixed costs		
Plant salaries, wages and related expenses	(2,262)	(2,699)
Repair and maintenance – spare parts	(1,125)	(2,202)
Lining	(36)	(30)
Contract labour	(717)	(2,115)
Insurance and taxes	(92)	(171)
Plant utilities	(105)	(156)
Other fixed costs	(1,388)	(1,680)
Depreciation	(6,129)	(5,850)
Packaging costs (including related staff cost)	(1,617)	(2,751)
Inventory change	(1,413)	1,783
	<u>(37,658)</u>	<u>(72,745)</u>

ZLATNA PANEGA CEMENT AD
 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>
	€000	€000
Salaries and related expenses	(312)	(299)
Utilities	(14)	(19)
Travel - entertainment	(31)	(45)
Advertising and promotion	(36)	(76)
Contract labour	(2)	(14)
Insurance and taxes	(19)	(22)
Other	(259)	(143)
	<u>(673)</u>	<u>(618)</u>

3.3 Administrative expenses

	<u>2009</u>	<u>2008</u>
	€000	€000
Salaries and related expenses	(1,492)	(1,382)
Depreciation	(632)	(624)
Amortisation (note 7)	(56)	(36)
Utilities	(188)	(176)
Travel – entertainment	(95)	(109)
Consultancy fees	(252)	(169)
Audit fees	(73)	(72)
Repairs and maintenance	(36)	(44)
Insurance and taxes	(114)	(194)
Supplies	(12)	(21)
Other	(1,112)	(1,300)
	<u>(4,062)</u>	<u>(4,127)</u>

3. Expenses and other revenues (continued)

3.4 Other expenses

	<u>2009</u>	<u>2008</u>
	€000	€000
Cost of goods, materials and scrap sold	(41)	(105)
Expenses for demolition	(14)	(61)
Cost of bars, canteen and rest house	(7)	(26)
Expenses pertaining to disposal of fixed assets	(24)	(146)
Provision for impairment of trade receivables (note 11)	(333)	(101)
Other provisions	(29)	(64)
Restoration provision (note 16)	(84)	(184)
Staff leaving indemnities	(293)	-
Write off materials	(95)	(51)
Other	(11)	(11)
	<u>(931)</u>	<u>(749)</u>

3.5 Expenses by nature

	<u>2009</u>	<u>2008</u>
	€000	€000
Materials used and recognised as an expense	(19,067)	(44,971)
Hired services	(10,230)	(20,700)
Depreciation (Note 5)	(6,761)	(6,474)
Amortisation (note 7)	(56)	(36)
Employee benefits expense (note 3.6)	(4,421)	(4,939)
Change in work in progress and finished goods	(1,413)	1,783
Other	(1,376)	(2,902)
Total cost of sales, selling and distribution, administrative and other expenses	<u>(43,324)</u>	<u>(78,239)</u>

3.6 Employee benefits expense

	<u>2009</u>	<u>2008</u>
	€000	€000
Wages and salaries	(3,145)	(3,431)
Social security costs	(609)	(731)
Retirement benefits	(29)	(45)
Other related expenses	(638)	(732)
	<u>(4,421)</u>	<u>(4,939)</u>

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3. Expenses and other revenues (continued)

3.7 Other income

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Quarry provision (note 16)	388	-
Sale of scrap and materials	92	279
Reversal in provision for impairment of receivables (note 11)	11	22
Rendering of other services	66	101
Sale of goods in the rest house and rent of offices	10	7
Refund of excise	88	-
Income from investment property	22	-
Other	227	77
	<u>904</u>	<u>486</u>

3.8 Finance income

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Interest income calculated using the effective interest method for financial assets carried at amortised cost:		
Bank accounts and deposits	2	2
Loans provided to related parties (note 19)	-	227
Foreign exchange gains	2	151
	<u>4</u>	<u>380</u>

3.9 Finance costs

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Interest expense calculated using the effective interest method for financial liabilities carried at amortised cost:		
Bank loans and overdrafts	(1,865)	(1,709)
Loans received from related parties (Note 19)	(32)	-
Fee expense (other than amounts included in determining the effective interest rate) arising from financial liabilities carried at amortised cost	(96)	(49)
Foreign exchange losses	(3)	(90)
	<u>(1,996)</u>	<u>(1,848)</u>

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4. Income tax

The major components of income tax (expense)/income for the year ended 31 December 2009 and 2008 are:

	<u>2009</u>	<u>2008</u>
	€000	€000
Current income tax charge	(275)	(2,352)
Adjustment recognized in the period for current tax related to fiscal year 2007	-	3,558
Deferred income tax expense	<u>(676)</u>	<u>(323)</u>
Income tax (expense) /income reported in the statement of comprehensive income	<u>(951)</u>	<u>883</u>

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

Reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate for the year ended 31 December 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
	€000	€000
Accounting profit before income tax	<u>11,295</u>	<u>44,875</u>
Income tax expense at statutory tax rate of 10% for 2009 (2008: 10%)	(1,130)	(4,488)
Expenses not deductible for tax purposes	(16)	(23)
Revenue not subject to tax	-	53
Tax relief	141	5,341
Other	<u>54</u>	<u>-</u>
Income tax (expense)/income	<u>(951)</u>	<u>883</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 higher than the average for Bulgaria for the same period;
- additional requirements, the most important of which are as follows:
 - the income tax relief 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;

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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 statement of comprehensive income 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 2009 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 was recognised as a reduction of current income tax expenses in statement of comprehensive income 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 was declared in 2008 annual tax return. This tax relief was recognised as a reduction of current income tax expense in the statement of comprehensive income for the financial year 2008.
- EUR 141 thousand related to qualifying capital expenditure project " Tyres feeding installation for Kiln 5" (with total budgeted amount of EUR 300 thousand) which was declared in 2009 annual tax return. This tax relief was recognised as a reduction of current income tax expense in the statement of comprehensive income for the financial year 2009.

Deferred income tax at 31 December 2009 relates to the following:

	Balance Sheet		Statement of comprehensive income	
	31 December 2009	31 December 2008	2009	2008
	€000	€000	€000	€000
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	1,873	1,152	(721)	(369)
	<u>1,873</u>	<u>1,152</u>		
<i>Deferred tax asset</i>				
Unused leave allowance	(21)	(33)	(12)	8
Restoration provision	(146)	(123)	23	19
Retirement benefits	(21)	(19)	2	1
Provision for impairment of receivables	(60)	(28)	32	23
Write-down of inventory	-	-	-	(5)
	<u>(248)</u>	<u>(203)</u>		
Deferred tax expense			<u>(676)</u>	<u>(323)</u>
Deferred tax liability, net	<u>1,625</u>	<u>949</u>		

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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	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	12,138	72,363	5,383	1,357	2,725	93,966
At 1 January 2009	12,138	72,363	5,383	1,357	2,725	93,966
Additions	231	13	9	12	2,402	2,667
Transfers	21	1,937	19	22	(1,999)	-
Disposals	-	(110)	(234)	(80)	-	(424)
At 31 December 2009	12,390	74,203	5,177	1,311	3,128	96,209
Depreciation:						
At 1 January 2008	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	1,456	17,492	2,174	820	-	21,942
At 1 January 2009	1,456	17,492	2,174	820	-	21,942
Depreciation charge for the year	451	5,523	571	216	-	6,761
Disposals	-	(106)	(233)	(80)	-	(419)
At 31 December 2009	1,907	22,909	2,512	956	-	28,284
Net book value:						
At 1 January 2008	7,612	50,885	2,394	524	6,225	67,640
At 31 December 2008	10,682	54,871	3,209	537	2,725	72,024
At 31 December 2009	10,483	51,294	2,665	355	3,128	67,925

Useful lives

The useful lives of the assets are estimated as follows:

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

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

Depreciation expense before the change – EUR 1,146 thousand

Depreciation expense after the change – EUR 681 thousand

Effect – EUR 465 thousand

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

5. Property, plant and equipment (continued)

Assets under construction

Assets under construction relate to major capital projects as Vertical cement mill 9, Silos for Raw materials and others.

6. Investment property

	<u>2009</u>	<u>2008</u>
	€000	€000
Additions	503	-
Closing balance at 31 December 2009	<u>503</u>	<u>-</u>

The investment property was purchased in December 2009. The Company did not perform a fair valuation of the investment property as of 31 December 2009 as the management considers no significant changes in the fair value of the property.

7. Intangible assets

	<u>Concession rights</u>	<u>Licences</u>	<u>Computer software</u>	<u>Total</u>
	€000	€000	€000	€000
Cost:				
At 1 January 2008	41	141	44	226
Additions	-	-	97	97
At 31 December 2008	41	141	141	323
At 1 January 2009	41	141	141	323
Additions	-	-	51	51
At 31 December 2009	<u>41</u>	<u>141</u>	<u>192</u>	<u>374</u>
Amortisation:				
At 1 January 2008	20	97	42	159
Amortisation	3	27	6	36
At 31 December 2008	23	124	48	195
At 1 January 2009	23	124	48	195
Amortisation	2	16	38	56
At 31 December 2009	<u>25</u>	<u>140</u>	<u>86</u>	<u>251</u>
Net book value:				
At 1 January 2008	<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>
At 31 December 2009	<u>16</u>	<u>1</u>	<u>106</u>	<u>123</u>

7. Intangible assets (continued)

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:

Concession rights	20 years
Licences	10 years
Computer software	10 years

8. Investments

8.1 Investments in subsidiaries

	Country of incorporation	% equity interest	
		2009	2008
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:

	2009	2008
	€000	€000
Zlatna Panega Beton EOOD	3,564	3,564
Gravel and Sand Pits Bulgaria EAD	69	69
	3,633	3,633

The shares in subsidiaries do not have a quoted market price in an active market.

8.2 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 2009 and 31 December 2008.

9. 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 2009 the amount deposited and restricted for this purpose is EUR 60 thousand (31 December 2008: EUR 53 thousand). It earns interest at 2.5% per annum.

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10. Inventories

	<u>2009</u>	<u>2008</u>
	€000	€000
Raw materials (at cost)	1,910	6,053
Spare parts (at cost)	7,696	6,920
Packaging materials (at cost)	328	520
Work in progress (at cost)	430	1,799
Finished goods (at cost)	1,085	1,148
	<u>11,449</u>	<u>16,440</u>

11. Trade receivables

	<u>2009</u>	<u>2008</u>
	€000	€000
Trade receivables	10,447	8,823
Receivables under court procedure	1,577	454
Less: Provision for impairment	(599)	(285)
Trade receivables, net	<u>11,425</u>	<u>8,992</u>

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

As at 31 December 2009, trade receivables at nominal value of EUR 717 thousand (31 December 2008: EUR 362 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>
	€000
At 1 January 2008	206
Charge for the year (note 3.4)	101
Unused amounts reversed (note 3.7)	(22)
At 31 December 2008	<u>285</u>
At 1 January 2009	285
Charge for the year (note 3.4)	333
Utilized	(8)
Unused amounts reversed (note 3.7)	(11)
At 31 December 2009	<u>599</u>

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11. Trade receivables (continued)

The ageing 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	61-90 days €000	91-120 days €000	>120 days €000
2009	11,425	969	1,098	2,326	1,647	1,462	3,923
2008	8,992	3,496	1,289	1,745	748	1,205	509

12. Prepayments

	2009 €000	2008 €000
Advances paid to related parties (note 19)	511	511
Prepayments to third parties	714	1,468
	1,225	1,979

13. Cash and short-term deposits

	2009 €000	2008 €000
Cash at bank	51	34
Cash in hand	5	5
	56	39

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2009 the fair value of cash and short-term deposits is EUR 56 thousand (31 December 2008: EUR 39 thousand).

14. Issued capital and reserves

14.1 Issued capital

	2009 €000	2008 €000
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.

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14. Issued capital and reserves (continued)

14.1 Issued capital (continued)

	Number of ordinary shares (thousands)	Authorised capital
At 1 January 2008	32,173	16,450
At 1 January 2009	32,173	16,450
At 31 December 2009	<u>32,173</u>	<u>16,450</u>

All ordinary shares issued were fully paid.

14.2 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.

15. Interest - bearing loans to banks

	Effective interest rate %	Maturity	2009 €000	2008 €000
Current			€000	€000
(1) Overdraft facility in BNP Paribas with limit of BGN 15,000 thousand	3M Sofibor +2 %	30 April 2010	7,281	10,007
(2) Overdraft facility in EFG Eurobank with limit of BGN 10,000 thousand	3M Sofibor +3.5 %	6 February 2010	-	673
(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 +4.25%	30 November 2010	2,775	-
(5) Revolving facility in Alpha bank with limit of BGN 10,000 thousand	9% fixed rate	30 November 2010	-	-
(6) Overdraft facility in UBB AD with limit of BGN 10,000 thousand	BASE rate of UBB +1.5%	Half 29 April and rest 29 May 2010	3,730	-
			<u>13,786</u>	<u>22,951</u>

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15. Interest bearing loans to banks (continued)

	Effective interest rate %	Maturity	2009 €000	2008 €000
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 +1.5 %	11 March 2012	12,271	-
			<u>12,271</u>	<u>-</u>

(1) Overdraft facility concluded with BNP Paribas for a limit of BGN 15,000 thousand (EUR 7,669 thousand). The facility is secured by a Corporate Guarantee issued by Titan Cement S.A.

(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 11 March 2012.

(4) and (5) Revolving credit line facility concluded with Alpha bank for a total limit of BGN 20,000 thousand (EUR 10,226 thousand). The facility is secured by a Corporate Guarantee issued by Titan Cement S.A.

(6) Revolving credit line facility concluded with UBB 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 2009, the Company has available EUR 14,339 thousand (31 December 2008: EUR 12,073 thousand) of undrawn committed and uncommitted borrowing facilities in respect of which all precedent conditions had been met.

16. Restoration provision

	Restoration provision €000
At 1 January 2008	1,583
Arising during the year	184
At 31 December 2008	1,767
At 1 January 2009	1,767
Arising during the year	84
Unused amounts reversed* (note 3.7)	(388)
At 31 December 2009	1,463

A provision has been recognized for restoration costs, associated with the quarry concession agreement, under which the Company is obliged to restore the surface of the quarry upon the cessation of its use.

* As a result of changes in the estimated future costs and in the discount rate applied, EUR 388 thousand are recognized in the statement of comprehensive income.

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17. 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 statement of comprehensive income and amounts recognised in the balance sheet for the retirement benefit plan:

Net benefits expense

	<u>2009</u>	<u>2008</u>
	€000	€000
Current service cost (note 3.6)	8	24
Interest cost	15	14
Net actuarial loss recognised during the year	1	-
Past service cost (note 3.6)	<u>21</u>	<u>21</u>
Net benefit expense recognised in the statement of comprehensive income	<u>45</u>	<u>59</u>

Benefit liability

	<u>2009</u>	<u>2008</u>
	€000	€000
Present value of retirement benefit obligation	233	244
Unrecognised actuarial (gains)	-	(9)
Unrecognised past service costs	<u>(21)</u>	<u>(42)</u>
Benefit liability recognised in the balance sheet	<u>212</u>	<u>193</u>

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

	<u>Amount</u>
	€000
Retirement benefit obligation at 1 January 2008	247
Interest cost	14
Current service cost	24
Effect of curtailments	-
Benefits paid	(48)
Actuarial losses on obligation	<u>7</u>
Retirement benefit obligation at 31 December 2008	244
Interest cost	15
Current service cost	8
Benefits paid	(26)
Actuarial gains on obligation	<u>(8)</u>
Retirement benefit obligation at 31 December 2009	<u>233</u>

17. Retirement benefits (continued)

Benefit liability (continued)

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

	<u>2009</u>	<u>2008</u>
	€000	€000
Discount rate	6.0 %	6.2 %
Future salary increases	2.5 %	9.5 %

Amounts for the year ended 31 December 2009 and previous four annual periods are as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
	€000	€000	€000	€000	€000
Present value of retirement benefit obligation	233	244	247	281	295
Experience adjustments on plan liabilities	(8)	7	(18)	(7)	(14)

18. Trade and other payables

18.1. Trade payables

	<u>2009</u>	<u>2008</u>
	€000	€000
Trade payables from domestic suppliers	1,567	2,595
Trade payables from foreign suppliers	457	1,143
	<u>2,024</u>	<u>3,738</u>

18.2. Other payables

	<u>2009</u>	<u>2008</u>
	€000	€000
Customer prepayments	189	198
Unused paid leave	206	326
Social security	61	74
Payroll taxes	25	24
V.A.T payable	107	634
Other taxes	10	23
Insurance premium payable	19	24
Other payables	217	227
	<u>834</u>	<u>1,530</u>

18. Trade and other payables (continued)

18.2. 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.

19. 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).

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As of 31 December 2009

19. 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:

		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>Ultimate parent company</i>					
Titan Cement Company S.A.	2009	-	-	-	2
Titan Cement Company S.A.	2008	-	1,578	-	43
<i>Subsidiaries</i>					
Zlatna Panega Beton EOOD	2009	2,416	207	1,773	-
Zlatna Panega Beton EOOD	2008	6,050	233	3,354	23
Double V Co	2009	-	1	-	-
Double V Co	2008	-	1	-	-
<i>Other related parties</i>					
Cementarnica Usje AD	2009	103	-	64	-
Cementarnica Usje AD	2008	162	5,533	37	150
Cementarnica Kosjerich	2009	11	-	5	-
Cementarnica Kosjerich	2008	30	-	5	-
Titan America	2009	-	3	-	-
Titan America	2008	-	13	-	1
Granitoid AD	2009	-	12	-	-
Granitoid AD	2008	-	28	-	1
	2009			<u>1,842</u>	<u>2</u>
	2008			<u>3,396</u>	<u>218</u>

As of 31 December 2009 and 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 12).

ZLATNA PANEGA CEMENT AD
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19. Related party disclosures (continued)

		Interest income	Interest expense	Amounts owed from related parties	Amounts owed to related parties
		€000	€000	€000	€000
In respect of loans from / to related party					
<i>Subsidiaries</i>					
Zlatna Panega Beton EOOD	2009	-	-	-	-
Zlatna Panega Beton EOOD	2008	115	-	-	-
Double V Co	2009	-	-	-	-
Double V Co	2008	-	-	-	-
Gravel and Sand Pits EAD	2009	-	32	-	1,003
Gravel and Sand Pits EAD	2008	112	2	-	344
	2009			-	1,003
	2008			-	344

Terms and conditions of transactions with related parties

The sales and purchases from related parties are made at contracted prices. Outstanding balances at period end are unsecured, interest free (except for loans) and settlement occurs in cash. Except as disclosed in note 15, there have been no guarantees provided or received for any related party receivables or payables. For year ended 31 December 2009, the Company has not recorded any impairment of receivables relating to amounts owed from related parties (31 December 2008: 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 due to related parties

Gravel and Sand Pits – Bulgaria EAD

During 2009, Zlatna Panega Cement AD borrowed from Gravel and Sand Pits – Bulgaria AD an amount of EUR 665 thousand (2008: EUR 342 thousand). In year ended 31 December 2009 Zlatna Panega Cement repaid EUR 12 thousand. The intercompany loan is intended to finance the working capital needs of Zlatna Panega Cement. The loan was unsecured and is repayable in 2010. Interest is charged at the Basic Interest Rate of UBB plus a spread of 1.5%.

Loans due from related parties

Zlatna Panega Beton EOOD

There is no intercompany loan outstanding as receivable from Zlatna Panega Beton as of 31 December 2009. During 2008, Zlatna Panega Beton EOOD fully repaid the intercompany loan granted from Zlatna Panega Cement AD. The loan was unsecured and born interest at 1M SOFIBOR plus a spread of 0.65%.

Gravel and Sand Pits – Bulgaria EAD

There is no intercompany loan outstanding as receivable from Gravel and Sand Pits – Bulgaria EAD as of 31 December 2009. 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. In addition, the loan granted to Gravel and Sand Pits – Bulgaria EAD in 2007 in the amount of EUR 2,345 was fully repaid in 2008. Both loans were unsecured. Interest was charged at the 1M SOFIBOR plus a spread of 0.65%.

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19. Related party disclosures (continued)

Loans to related parties (continued)

Double V Co

There is no intercompany loan outstanding as receivable from Double V Co as of 31 December 2009. During 2007, Zlatna Panega Cement AD granted a loan to its wholly-owned subsidiary (through GSPB), Double V Co in the amount of EUR 15 thousand. It was intended to finance the operating activities of the subsidiary. The loan was unsecured and was fully repaid in 2008. Interest was charged at the 1M SOFIBOR plus spread of 0.65%.

Compensation of key management personnel

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Short-term employee benefits	654	503
	<u>654</u>	<u>503</u>

20. Dividends distributed

During 2009, the General Meeting of Shareholders approved distribution of dividends in the amount of EUR 20,234 (during 2008: EUR 31,254 thousand of dividends were approved for distribution). The dividend per share is EUR 0.63 (2008: EUR 0.97). For the year ended 31 December 2009 dividends actually paid amounted to EUR 20,234 thousand (2008: EUR 31,254 thousand).

21. Commitments and contingencies

	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>
Capital commitments	7,791	806
Promissory note to the National Electricity Company	675	798
Promissory note to banks and leasing companies	5,761	18,039
	<u>14,227</u>	<u>19,643</u>

Legal claims

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

21. 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.

During the time of preparation of the reports there is a running tax audit that is expected to be finalized till the end of March 2010.

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.

22. 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
	€000	€000
2009		
Loans in BGN	+200	(536)
Loans in BGN	-100	268
2008		
Loans in BGN	+200	(396)
Loans in BGN	-100	198

22. 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 based on contractual undiscounted payments.

As of 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	-	150	14,235	12,995	-	27,380
Trade payables	-	2,024	-	-	-	2,024
Other payables	-	834	-	-	-	834
Payables to related parties	-	9	996	-	-	1,005
	-	3,017	15,231	12,995	-	31,243

As of 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	-	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

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.

22. 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 11. 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 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>20,104</u>	<u>52,853</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.

23. 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.

24. Events after the balance sheet date

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