



ZLATNA PANEGA CEMENT AD

ANNUAL SEPARATE
FINANCIAL STATEMENTS
31 December 2011

ZLATNA PANEGA CEMENT AD

DIRECTORS' REPORT

For the year ended 31 December 2011

DIRECTORS' REPORT

The Directors present their report and the financial statements that have been prepared in accordance with International Financial Reporting Standards as adopted for use in the European Union for the year ended 31 December 2011. 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 are considered as positive since the profit before tax of the Company amounted to EUR 15,097 thousand. During the period the Company sold 550 thousand tons of cement (2010: 621 thousand tons). The decrease of the quantities sold and average ex works prices contributed for the decrease of revenue for the current period by EUR 5,165 thousand.

Dividends and distribution of profits

At the General Meeting of Shareholders held on 28 April 2011, a decision was taken to distribute dividends at the amount of EUR 12,008 thousand (2010: Nil). The dividend per share is EUR 0.37. The dividends were fully paid as of 31 December 2011.

Share capital structure

Shareholders	Percentage	Number of shares (thousands)	Nominal value (EUR 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 2011 Zlatna Panega Cement AD holds interests in the following subsidiaries and associates:

The Company is 100% owner of Zlatna Panega Beton EOOD, Gravel and Sand Pits Bulgaria EAD ("GSPB"), Eco Conception EOOD and Geospan EDOO (FYROM). These investments are carried at cost as at 31 December 2011. Through GSPB, the Company has an interest of 48.77% in the capital of Holcim Karierni Materiali AD, a 48.72% interest in Holcim Karierni Materiali Plovdiv AD and a 100% interest in Double V Co Ltd., Ruse.

During 2010 Holcim Karierni Materiali AD acquired 100% of Vris OOD. As a result of the transaction, Zlatna Panega Cement has a significant influence with interest of 48.77% in Vris OOD, through its subsidiary Gravel and Sand Pits – Bulgaria EAD.

In 2011 the Company incorporated a new subsidiary Eco Conception EOOD. 100 % of the share capital of the newly incorporated subsidiary is owned by Zlatna Panega Cement AD.

In 2010 the Company incorporated a new subsidiary Geospan EDOO, FYROM. 100 % of the share capital of the subsidiary is owned by Zlatna Panega Cement AD.

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 2011

OBJECTIVES OF THE COMPANY FOR 2012

The Directors are set to achieve the following objectives for 2012:

- 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;
- Increase the usage of alternative fuels

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 2011 the Board of Directors consists of:

1. Alexander Nakov Chakmakov
2. Mihalis Sigalas
3. Konstantinos Derdemezis
4. Fokion Tasoulas
5. Evstratios Voulgaridis

Alexander Nakov Chakmakov is the Company's Executive Director.

Directors' responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2011.

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

13 March 2012



Independent auditors' report

To the shareholders of

Zlatna Panega Cement AD

Report on the separate financial statements

We have audited the accompanying separate financial statements of Zlatna Panega Cement AD, which comprise the separate balance sheet as of 31 December 2011, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

Management is responsible for the preparation and presentation of separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted for use in the European Union, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these separate 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 about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of separate financial statements that give a true and fair view 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 separate 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 separate financial statements give a true and fair view of the financial position of Zlatna Panega Cement AD as of 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted for use in the European Union.

Ernst & Young Audit OOD


"Ernst & Young"

13 March 2012

Sofia, Bulgaria

ZLATNA PANEGA CEMENT AD
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		€000	€000
Sale of cement products		31,048	36,298
Rendering of transport services		4,745	4,660
Revenue		35,793	40,958
Cost of sales	5.1	(30,853)	(31,156)
Gross profit		4,940	9,802
Other income	5.7	16,712	1,314
Selling and distribution costs	5.2	(542)	(576)
Administrative expenses	5.3	(3,591)	(3,845)
Other expenses	5.4	(651)	(1,208)
Operating profit		16,868	5,487
Finance income	5.8	107	45
Finance costs	5.9	(1,878)	(1,767)
Profit before tax		15,097	3,765
Income tax (expense) / income	6	(1,520)	1,917
Profit for the period		13,577	5,682
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		13,577	5,682


Chief Executive Officer
Alexander Chakmakov



The accompanying notes to the financial statements on pages 7 to 43 form an integral part of these financial statements.

**ZLATNA PANEGA CEMENT AD
SEPARATE BALANCE SHEET**

As of 31 December 2011

	Notes	2011 €000	2010 €000
ASSETS			
Non-current assets			
Property, plant and equipment	7	76,846	75,219
Investment property	8	1,721	1,494
Intangible assets	9	56	94
Investments in subsidiaries	10.1	3,711	3,688
Available-for-sale investments	10.2	21	21
Long-term receivables	14	20	517
Other financial assets	11	71	65
Deferred tax asset	6	-	292
		82,446	81,390
Current assets			
Inventories	13	7,755	7,769
Trade and other receivables	14	8,188	8,378
Receivables from related parties	23	3,930	1,798
Prepayments	15	205	282
Income tax receivables		-	539
Cash and short-term deposits	16	5,022	255
		25,100	19,021
Non-current assets held for sale	12	1,898	307
		26,998	19,328
TOTAL ASSETS		109,444	100,718
EQUITY AND LIABILITIES			
Equity			
Issued capital	17.1	28,602	28,602
Legal reserve	17.2	1,645	1,645
Retained earnings		43,240	41,671
Total equity		73,487	71,918
Non-current liabilities			
Interest-bearing loans to banks	18	-	12,271
Finance lease liabilities	25	133	-
Restoration provision	19	1,894	1,582
Retirement benefit liability	20	262	253
Deferred tax liability	6	1,205	-
Other financial liabilities	21	82	259
		3,576	14,365
Current liabilities			
Trade and other payables	22	2,745	3,700
Finance lease liabilities	25	79	-
Interest-bearing loans to banks	18	29,129	9,425
Payables to related parties	23	22	1,032
Income tax payable		19	-
Other financial liabilities	21	387	278
		32,381	14,435
Total liabilities		35,957	28,800
TOTAL EQUITY AND LIABILITIES		109,444	100,718

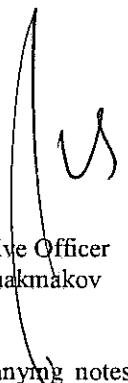
Chief Executive Officer
Alexander Chakmakov



The accompanying notes to the financial statements on pages 7 to 43 form an integral part of these financial statements.

ZLATNA PANEGA CEMENT AD
SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2011

	Issued capital (note 17.1) €000	Legal reserve (note 17.2) €000	Retained earnings €000	Total €000
At 1 January 2010	28,602	1,645	35,989	66,236
Profit for the period	-	-	5,682	5,682
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	5,682	5,682
At 31 December 2010	28,602	1,645	41,671	71,918
At 1 January 2011	28,602	1,645	41,671	71,918
Profit for the year	-	-	13,577	13,577
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	13,577	13,577
Distribution of dividends (note 24)	-	-	(12,008)	(12,008)
At 31 December 2011	28,602	1,645	43,240	73,487


Chief Executive Officer
Alexander Chakmakov



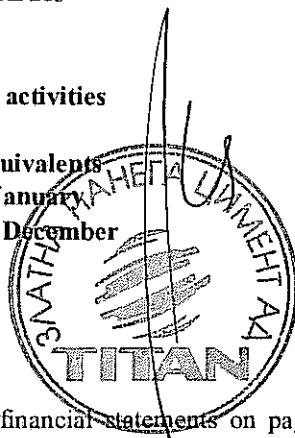
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ZLATNA PANEGA CEMENT AD
SEPARATE CASH FLOW STATEMENT

For the year ended 31 December 2011

	Notes	2011 €000	2010 €000
OPERATING ACTIVITIES			
Profit before tax		15,097	3,765
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	7,134	7,525
Amortisation of intangible assets	9	39	46
Gain on disposal of property, plant and equipment	5.7	(160)	(8)
Movement in doubtful debt allowance	14	550	232
Movement in restoration provision	19	312	119
Movement in employee benefit liability	20	9	41
Losses from fair value adjustments to investment properties	8	-	26
Impairment loss to fair value less costs to sell	12	11	-
Interest income	5.8	(107)	(45)
Interest expense	5.9	1,050	1,564
Working capital adjustments:			
Decrease in inventories		14	2,074
(Increase) / Decrease in trade and other receivables		(2,289)	308
Decrease in prepayments		8	932
Increase in other financial assets		(6)	(5)
Increase / (Decrease) in trade and other payables		88	(417)
Income tax received		511	952
(Decrease) / Increase in other financial liabilities		(85)	578
Net cash flows from operating activities		22,176	17,687
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		253	11
Purchase of property, plant and equipment		(9,621)	(11,684)
Purchase of intangible assets		(1)	(17)
Acquisition / increase in capital of subsidiaries		(23)	(55)
Loans granted to related parties		(1,579)	(40)
Loans repaid from related parties		396	-
Interest received		35	2
Net cash flows used in investing activities		(10,540)	(11,783)
FINANCING ACTIVITIES			
Proceeds from interest-bearing loans		47,999	37,954
Repayment of interest-bearing loans		(40,566)	(42,311)
Payments of finance lease liabilities		(267)	-
Proceeds from loans from related parties		-	276
Repayment of loans from related parties		(1,031)	(245)
Interest paid		(996)	(1,379)
Dividends paid	24	(12,008)	-
Net cash flows used in financing activities		(6,869)	(5,705)
Net increase in cash and cash equivalents		4,767	199
Cash and cash equivalents at 1 January		255	56
Cash and cash equivalents at 31 December	16	5,022	255

Chief Executive Officer
 Alexander Chakmakov



The accompanying notes to the financial statements on pages 7 to 43 form an integral part of these financial statements.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2011

1. Corporate information

The annual separate financial statements of Zlatna Panega Cement AD (the Company) for the year ended 31 December 2011 were authorized for issue in accordance with a resolution of the Board of Directors on 13 March 2012.

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

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

As of 31 December 2011 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 Company 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 adopted for use in the European Union.

The preparation of these financial statements of the Company is required by the ultimate parent company for its consolidation. Therefore, these are the separate 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 Company 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>. The address of the registered office of Titan Cement Company S.A. is 22 A Halkidos Str., 111 43 Athens, Greece.

The Company has presented a separate set of statutory financial statements in Bulgarian, expressed in Bulgarian leva, in accordance with IFRS, as adopted for use in the EU. The statutory financial statements were authorized for issue by the Board of Directors on 13 March 2012.

Going concern

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

For the twelve month period ended 31 December 2011 the Company reported net profit before tax of EUR 15,097 thousand mainly as a result of the sale of CO2 emission rights at the amount of EUR 15,931 thousand during the period. Further as of 31 December 2011 current liabilities exceeded current assets (including non-current assets held for sale) by EUR 5,383 thousand. The latter financial shortfall resulted from the reclassification of a long-term loan facility aggregating to EUR 12,271 thousand as of 31 December 2011 to current liabilities based on the maturity date of the loan (March 2012).

The management analyzed the above matters and has addressed them through starting negotiations with the banks on restructuring or extending the loan facilities and through obtaining a binding letter of support from the parent company, stating that adequate funds and full support would be provided to enable the Company to continue operations at least until the next twelve-month period.

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

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2.2. Summary of significant accounting policies

a) 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 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.

b) 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

Interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of comprehensive income.

Dividend income

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

c) 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 reporting date. Tax reliefs are accounted for as a decrease in the income tax expense for the period.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2.2. Summary of significant accounting policies (continued)

c) Taxes (continued)

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting 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.

The carrying amount of deferred income tax assets is reviewed at each reporting 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 reporting 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 reporting date.

Deferred taxes relating to items recognised outside the profit or loss are recognised outside the profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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.

2.2. Summary of significant accounting policies (continued)

d) Financial instruments - initial recognition and subsequent measurement

- **Financial assets**

Initial recognition and measurement

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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way purchases) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include long term receivables, 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 10.1.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in the statement of comprehensive income. The losses arising from impairment are recognised in the statement of comprehensive income in other expenses.

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 10.2). 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.

Derecognition

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 has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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.

2.2. Summary of significant accounting policies (continued)

d) Financial instruments - initial recognition and subsequent measurement (continued)

- Financial assets (continued)

Derecognition (continued)

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy/announce over-indebtedness or undertake other financial reorganisation or where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets carried at amortised cost

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

If 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. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the statement of comprehensive income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

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.

2.2. Summary of significant accounting policies (continued)

d) Financial instruments - initial recognition and subsequent measurement (continued)

- **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, and in the case of loans and borrowings, plus directly attributable transaction costs.

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

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.

Other non-interest bearing financial liabilities

Other non-interest bearing financial liabilities include retentions for qualitative performance of contractual obligations by construction subcontractors. Upon initial recognition, these liabilities are measured at the present value of all future cash outflows discounted using the prevailing market rates of interest for similar instruments. The Company accretes the discount to profit or loss using the effective interest rate method. The excess of the nominal value of other non-interest bearing financial liabilities over their present value is recognised in the profit or loss.

Derecognition

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.

e) 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.

f) 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 27.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2.2. Summary of significant accounting policies (continued)

g) 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 17.1. Any proceeds in excess of par value are recorded in share premium.

h) Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

i) 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, 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

Spare parts

Spare parts are recognized as non current assets if all of the following recognition criteria are met:

- The spare parts are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes;
- The spare parts are expected to be used during more than one period;
- It is probable that future economic benefits associated with the item will flow to the entity;
- The cost of the item can be measured reliably;
- The unit value of the qualifying major spare part and stand-by equipment exceeds EUR 35 thousand.

The depreciation of a major spare part begins when the spare part is bought into service rather than when it is acquired, as in that moment it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The useful life can not exceed the lesser period between the remaining useful life of the asset to which the spare part is attached and its own useful life.

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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2.2. Summary of significant accounting policies (continued)

j) 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

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

Company as a lessor

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

k) 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.

l) Borrowing costs

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

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

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2011

2.2. Summary of significant accounting policies (continued)

m) 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, as follows:

Concession rights	20 years
Licences	10 years
Computer software	10 years

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.

n) 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.

o) 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.

2.2. Summary of significant accounting policies (continued)

o) Impairment of non-financial assets (continued)

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.

p) 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.

q) 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.

r) 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.

s) 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.

2.3. Changes in accounting policy and disclosures

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations adopted as of 1 January 2011:

- *IAS 24 Related Party Disclosures (Amendment)* effective 1 January 2011
- *IAS 32 Financial Instruments: Presentation (Amendment)* effective 1 February 2010
- *IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)* effective 1 January 2011
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* effective 1 July 2010
- Improvements to IFRSs (May 2010)

When 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:

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and as clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The amendment is applied retrospectively. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment is applied retrospectively. The amendment has had no effect on the financial position or performance of the Company because the Company does not have these type of instruments.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. The amendment is applied retrospectively. The Company is not subject to minimum funding requirements in Bulgaria, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The interpretation has had no effect on the financial position or performance of the Company.

2.3. Changes in accounting policy and disclosures (continued)

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. These amendments resulting from Improvements to IFRSs to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- *IFRS 1 First-time adoption*
- *IFRS 3 Business Combinations*
- *IFRS 7 Financial Instruments - Disclosures*
- *IAS 1 Presentation of Financial Statements*
- *IAS 27 Consolidated and Separate Financial Statements*
- *IAS 34 Interim Financial Reporting*
- *IFRIC 13 Customer Loyalty Programmes*

Reclassifications

Certain reclassifications of comparative information included in the statement of comprehensive income were made in order to ensure consistency with the presentation of current year's figures and improve understandability of financial information:

- foreign exchange gains and losses were presented net to ensure consistency with the net presentation of the current financial year figures.
- amortization expenses were split between cost of sales and administrative expenses based on the function of the respective intangible assets, to ensure consistency with the presentation of the current financial year figures.
- retirement benefit charge (current and past service costs) were presented within Other expenses to ensure consistency with the presentation of the current financial year figures.

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 reporting 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 2011 the best estimate of the restoration provision was EUR 1,894 thousand (31 December 2010: EUR 1,582 thousand). Further details are provided in Note 19 to the financial statements.

3. Significant accounting judgments, estimates and assumptions (continued)

Retirement benefits

The retirement benefit obligation is determined using actuarial valuation for financial year 2011. 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 2011 is EUR 262 thousand (31 December 2010: EUR 253 thousand). Further details are provided in Note 20 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 2.2 i) and Note 2.2 m).

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 2011 the best estimate of the allowance for impairment of receivables is EUR 1,381 thousand (31 December 2010: EUR 831 thousand). Further details are provided in Note 14.

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 investment properties have been fair valued by accredited external valuer based on income or market approach. Further details are provided in Note 8.

4. Standards issued but not yet effective and not early adopted

Standards issued but not yet effective and not early adopted up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt those standards when they become effective.

IAS 1 *Presentation of Financial Statements (Amendment)* - Presentation of Items of Other Comprehensive Income

The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Company's financial position or performance. The Company is in the process of assessing the impact of this amendment on its financial position or performance. The amendment has not yet been endorsed by EU.

IAS 12 *Income Taxes (Amendment)* - Recovery of Underlying Assets

The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Company does not expect any impact on its financial position or performance. The amendment has not yet been endorsed by EU.

IAS 19 *Employee Benefits (Amendments)*

The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. The Company is in the process of assessing the impact of these amendments on its financial position or performance. The amendments have not yet been endorsed by EU.

4. Standards issued but not yet effective and not early adopted (continued)

IAS 27 Separate Financial Statements (Revised)

The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Earlier application is permitted. The Company is in the process of assessing the impact of this Standard on its financial position or performance. The Standard has not yet been endorsed by EU.

IAS 28 Investments in Associates and Joint Ventures (Revised)

The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Earlier application is permitted. The Company is in the process of assessing the impact of this Standard on its financial position or performance. The Standard has not yet been endorsed by EU.

IAS 32 Financial Instruments (Amendment): Presentation – Offsetting Financial assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of “currently has a legally enforceable right to set-off” and also clarifies the application of the IAS 32 offsetting criteria to settlement systems. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. The Company is in the process of assessing the impact of the amendment on its financial position or performance. This amendment has not yet been endorsed by the EU.

IFRS 7 Financial Instruments: Disclosures (Amendment) - Enhanced Derecognition Disclosure Requirements

The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognised assets. The amendment has only disclosure effects. The amendment has no impact on the Company’s financial position or performance.

IFRS 7 Financial Instruments: Disclosures (Amendment) - Offsetting Financial Assets and Financial Liabilities

The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity’s financial position. The amendments to IFRS 7 are to be retrospectively applied. The Company is in the process of assessing the impact of the amendment on its financial position or performance. This amendment has not yet been endorsed by the EU.

IFRS 9 Financial Instruments: Classification and Measurement

The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. Phase I of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities using the FV option. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. The Company is in the process of assessing the impact of the new standard on its financial position or performance. The Standard has not yet been endorsed by EU.

4. Standards issued but not yet effective and not early adopted (continued)

IFRS 10 Consolidated Financial Statements

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Company is in the process of assessing the impact of the new standard on its financial position or performance. The Standard has not yet been endorsed by EU.

IFRS 11 Joint Arrangements

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Company is in the process of assessing the impact of the new standard on its financial position or performance. This standard has not yet been endorsed by the EU.

IFRS 12 Disclosure of Interests in Other Entities

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all the disclosure requirements that were previously in IAS 27 related to consolidated financial statements, as well as all the disclosures that were previously included in IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates, and structured entities. A number of new disclosures are also required. The Company is in the process of assessing the impact of the new standard on its financial position or performance. The Standard has not yet been endorsed by EU.

IFRS 13 Fair Value Measurement

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. The Company is in the process of assessing the impact of the new standard on its financial position or performance. The Standard has not yet been endorsed by EU.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (stripping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted. The Company is in the process of assessing the impact of the new interpretation on its financial position or performance. IFRIC 20 has not yet been endorsed by the EU.

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5. Expenses and other revenues

5.1 Cost of sales

	<u>2011</u>	<u>2010</u>
	€000	€000
Variable costs		
Kiln fuel	(6,665)	(5,941)
Distribution expenses – freight	(4,751)	(4,660)
Electricity	(3,065)	(3,374)
Raw materials	(2,428)	(2,732)
Refractory	(599)	(371)
Fuel and oil	(414)	(431)
Grinding media	(15)	(100)
Other expenses	(355)	(284)
Fixed costs		
Depreciation	(6,808)	(6,978)
Plant salaries, wages and related expenses	(1,841)	(1,996)
Packaging costs (including related staff cost)	(1,150)	(1,294)
Other fixed costs	(1,092)	(1,447)
Repair and maintenance – spare parts	(752)	(548)
Contract labour	(721)	(600)
Insurance and taxes	(133)	(108)
Plant utilities	(120)	(110)
Amortization	(33)	(23)
Lining	(16)	(2)
Inventory change	105	(157)
	<u>(30,853)</u>	<u>(31,156)</u>

5.2 Selling and distribution costs

	<u>2011</u>	<u>2010</u>
	€000	€000
Salaries and related expenses	(314)	(297)
Third party fees	(39)	(94)
Car related expenses	(71)	(74)
Advertising and promotion	(41)	(30)
Insurance and taxes	(21)	(14)
Travel - entertainment	(17)	(23)
Utilities	(13)	(15)
Other	(26)	(29)
	<u>(542)</u>	<u>(576)</u>

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5. Expenses and other revenues (continued)

5.3 Administrative expenses

	<u>2011</u>	<u>2010</u>
	€000	€000
Salaries and related expenses	(1,449)	(1,465)
Security	(440)	(417)
Depreciation	(326)	(547)
Consultancy fees	(218)	(333)
Car related expenses	(165)	(142)
Utilities	(152)	(161)
Insurance and taxes	(139)	(115)
Travel – entertainment	(84)	(89)
Donations	(68)	(88)
Audit fees	(66)	(72)
Amortization	(6)	(23)
Repairs and maintenance	(8)	(29)
Other	(470)	(364)
	<u>(3,591)</u>	<u>(3,845)</u>

5.4 Other expenses

	<u>2011</u>	<u>2010</u>
	€000	€000
Impairment of trade receivables (note 14)	(239)	(315)
Cost of goods, materials and scrap sold	(199)	(543)
Staff leaving indemnities	(88)	(166)
Write off of materials	(38)	(46)
Expenses for demolition	(30)	(19)
Retirement benefit charge	(20)	(43)
Expenses pertaining to disposal of property, plant and equipment	(19)	(13)
Impairment loss to fair value less costs to sell (Note 12)	(11)	-
Losses from fair value adjustments to investment properties (note 8)	-	(26)
Restoration provision (note 19)	(2)	(12)
Other	(5)	(25)
	<u>(651)</u>	<u>(1,208)</u>

5.5 Expenses by nature

	<u>2011</u>	<u>2010</u>
	€000	€000
Materials used and recognised as an expense	(15,245)	(14,773)
Hired services	(8,600)	(8,718)
Depreciation (note 7)	(7,134)	(7,525)
Employee benefits expense (note 5.6)	(3,905)	(4,109)
Amortisation (note 9)	(39)	(46)
Change in work in progress and finished goods	105	(157)
Other	(819)	(1,457)
Total cost of sales, selling and distribution, administrative and other expenses	<u>(35,637)</u>	<u>(36,785)</u>

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2011

5. Expenses and other revenues (continued)

5.6 Employee benefits expense

	<u>2011</u>	<u>2010</u>
	€000	€000
Wages and salaries	(2,806)	(2,923)
Social security costs	(507)	(559)
Retirement benefits (note 20)	(20)	(43)
Other related expenses	(572)	(584)
	<u>(3,905)</u>	<u>(4,109)</u>

5.7 Other income

	<u>2011</u>	<u>2010</u>
	€000	€000
Gain on sale of emission rights	15,931	406
Sale of scrap and materials	291	426
Profit on disposal of fixed assets	160	-
Sale of goods and rent of offices	76	211
Refund of excise	67	50
Reversal of impairment of receivables (note 14)	62	6
Rendering of other services	70	21
Net movement in unused paid leave (note 22)	25	44
Other	30	150
	<u>16,712</u>	<u>1,314</u>

5.8 Finance income

	<u>2011</u>	<u>2010</u>
	€000	€000
Effect from discounting of long term receivables	63	-
Loans provided to related parties (note 23)	42	2
Effect from discounting of other financial liabilities	-	41
Bank accounts and deposits	2	2
	<u>107</u>	<u>45</u>

5.9 Finance costs

	<u>2011</u>	<u>2010</u>
	€000	€000
Interest expenses:		
Bank loans and overdrafts	(1,054)	(1,327)
Capitalized borrowing costs	83	-
Loans received from related parties (note 23)	(13)	(83)
Interest expense on finance lease	(49)	-
Impairment of receivables to amortized cost (note 14)	(429)	-
Effect from discounting of restoration provision (note 19)	(310)	(107)
Effect from discounting of other financial liabilities	(17)	-
Effect from discounting of long term receivables	-	(154)
Foreign exchange losses, net	(17)	(1)
Fee expense	(66)	(89)
Other finance costs (note 20)	(6)	(6)
	<u>(1,878)</u>	<u>(1,767)</u>

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6. Income tax

The major components of income tax expense for the year ended 31 December 2011 and 2010 are:

	<u>2011</u>	<u>2010</u>
	€000	€000
Current income tax charge	(23)	-
Deferred income tax (expense) / income	(1,497)	1,917
Income tax (expense) / income reported in the statement of comprehensive income	<u>(1,520)</u>	<u>1,917</u>

In 2011 the nominal statutory tax rate is 10% (2010: 10%).

Reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate for the year ended 31 December 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
	€000	€000
Accounting profit before income tax	15,097	3,765
Income tax expense at statutory tax rate of 10% for 2011 (2010: 10%)	(1,510)	(377)
Expenses not deductible for tax purposes	(13)	(15)
Tax relief recognized in tax return	-	846
Tax relief available for future periods	-	1,463
Other	3	-
Income tax (expense) / income	<u>(1,520)</u>	<u>1,917</u>

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

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

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2011

6. Income tax (continued)

As of 31 December 2011 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. 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 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.
- EUR 2,309 thousand related to qualifying capital expenditure project "RDF Installation" (with total budgeted amount of EUR 4,793 thousand) which was declared in 2010 annual tax return. The Company recognized EUR 846 thousand of this tax relief as a reduction of current income tax expense in the statement of comprehensive income for the financial year 2010 (up to the amount of the tax payable on the 2010 tax profit). As at 31 December 2010 the Company recognised deferred tax asset on the unused tax holiday at the amount of EUR 1,463 thousand. In 2011 the Company utilized EUR 1,463 thousand of this tax relief, leading to a decrease of the recognised deferred tax asset on the unused tax holiday to nil as at 31 December 2011.

Deferred income tax at 31 December 2011 and 31 December 2010 relates to the following:

	Balance Sheet		Statement of comprehensive income	
	31 December 2011	31 December 2010	2011	2010
	€000	€000	€000	€000
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	1,572	1,453	(119)	420
	<u>1,572</u>	<u>1,453</u>		
<i>Deferred tax asset</i>				
Unused leave allowance	(14)	(16)	(2)	(5)
Restoration provision	(189)	(158)	31	12
Retirement benefits	(26)	(25)	1	4
Impairment of receivables	(138)	(83)	55	23
Unused tax credit	-	(1,463)	(1,463)	1,463
	<u>(367)</u>	<u>(1,745)</u>		
Deferred tax (expense) / income			<u>(1,497)</u>	<u>1,917</u>
Deferred tax liability / (asset), net	<u>1,205</u>	<u>(292)</u>		

ZLATNA PANEGA CEMENT AD
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For the year ended 31 December 2011

7. Property, plant and equipment

	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Vehicles</u>	<u>Furniture and fittings</u>	<u>Assets under construction</u>	<u>Total</u>
	€000	€000	€000	€000	€000	€000
Cost:						
At 1 January 2010	12,390	74,203	5,177	1,311	3,128	96,209
Additions	1,538	210	-	-	11,468	13,216
Transfers	27	693	-	73	(793)	-
Transfers from inventory (note 13)	-	1,606	-	-	-	1,606
Disposals	-	(90)	(464)	(51)	-	(605)
At 31 December 2010	13,955	76,622	4,713	1,333	13,803	110,426
At 1 January 2011	13,955	76,622	4,713	1,333	13,803	110,426
Additions	200	1,334	71	6	8,272	9,883
Transfers	1,238	10,535	470	126	(12,369)	-
Transfers to non-current assets held for sale (note 12)	-	(1,129)	-	-	-	(1,129)
Disposals	(22)	(320)	(71)	(19)	-	(432)
At 31 December 2011	15,371	87,042	5,183	1,446	9,706	118,748
Depreciation:						
At 1 January 2010	1,907	22,909	2,512	956	-	28,284
Depreciation charge for the period	448	6,411	495	171	-	7,525
Disposals	-	(88)	(463)	(51)	-	(602)
At 31 December 2010	2,355	29,232	2,544	1,076	-	35,207
At 1 January 2011	2,355	29,232	2,544	1,076	-	35,207
Depreciation charge for the period	463	6,148	404	119	-	7,134
Transfers to non-current assets held for sale (note 12)	-	(100)	-	-	-	(100)
Disposals	(15)	(238)	(71)	(15)	-	(339)
At 31 December 2011	2,803	35,042	2,877	1,180	-	41,902
Net book value:						
At 1 January 2010	10,483	51,294	2,665	355	3,128	67,925
At 31 December 2010	11,600	47,390	2,169	257	13,803	75,219
At 31 December 2011	12,568	52,000	2,306	266	9,706	76,846

As at 31 December 2011 major spare parts of EUR 1,123 thousand are included in Plant and machinery. They are not available for use and therefore not depreciated.

Assets under construction

Assets under construction relate to major capital projects as Vertical cement mill 9, Water drainage system and others.

Impairment of property, plant and equipment

Based on the review for impairment of the tangible fixed assets, the Company's management has not found indicators that the book value of the assets exceeds their recoverable amount. Therefore, no impairment of property, plant and equipment has been recognised at 31 December 2011 (2010: Nil).

In November 2011 the Board of Directors took a decision to sell certain plant and machinery to the subsidiary Zlatna Panega Beton. The sale is expected to qualify for recognition as a completed sale within the first quarter of 2012. The book value of the assets subject to sale is EUR 1,029 thousand as of 31 December 2011. Following the above decision of the Board and the advanced stage of the transaction, Zlatna Panega Cement transferred the stated assets from Property, plant and equipment to Non-current assets held for sale as at 31 December 2011 (note 12) and carried them at cost which was lower than their fair value less costs to sell.

ZLATNA PANEGA CEMENT AD
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8. Investment property

	<u>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
At 1 January	1,494	503
Additions	517	1,017
Transfers to non-current assets held for sale (note 12)	(290)	-
Loss from fair value adjustments	-	(26)
At 31 December	<u>1,721</u>	<u>1,494</u>

The Company engaged an accredited external valuer to fair value its investment property. The effective date of the valuation was 14 November 2011 and the appraiser confirmed that it is still valid as of 31 December 2011. The property with fair value as of 31 December 2011 of EUR 1,721 thousand was valued under the market comparables method and the residual value method (income approach). The results determined under the two methods were weighted as the market comparables method was given an 80% and the residual value method – 20%. Under the market comparables method actual transaction prices and ask prices were used. They were adjusted to reflect the differences between the subject of valuation and the comparables – such as location, size, accessibility, infrastructure. The major assumptions used in the income approach are as follows:

- average rent per square meter of rentable area of EUR 9.22 per month;
- 100% occupancy of the property;
- capitalization rate of 7%.

As of 31 December 2010 the management intended to held a property (concrete center) to earn rentals or for capital appreciation. However, due to changes in its strategic plans, as of 31 December 2011 the Company intends to recover the carrying amount of the stated property principally through a sale transaction rather than through continuing use. As the sale transaction is highly probable, the management transferred it to non-current assets held for sale under IFRS 5 (note 12).

9. Intangible assets

	Concession rights	Licences	Computer software	Total
	€000	€000	€000	€000
Cost:				
At 1 January 2010	41	141	192	374
Additions	-	1	16	17
Disposals	-	(5)	(22)	(27)
At 31 December 2010	41	137	186	364
At 1 January 2011	41	137	186	364
Additions	-	1	-	1
At 31 December 2011	41	138	186	365
Amortisation:				
At 1 January 2010	25	140	86	251
Amortisation charge for the period	2	2	42	46
Disposals	-	(5)	(22)	(27)
At 31 December 2010	27	137	106	270
At 1 January 2011	27	137	106	270
Amortisation charge for the period	2	-	37	39
At 31 December 2011	29	137	143	309
Net book value:				
At 1 January 2010	16	1	106	123
At 31 December 2010	14	-	80	94
At 31 December 2011	12	1	43	56

ZLATNA PANEGA CEMENT AD
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For the year ended 31 December 2011

9. Intangible assets (continued)

Impairment of intangible assets

The Company has carried out a review for existence of impairment indicators at 31 December 2011. No indications have been found that the carrying amount of the intangible assets exceeds their recoverable amount and therefore, no impairment loss has been recognized in the financial statements (2010: Nil).

10. Investments

10.1 Investments in subsidiaries

	Country of incorporation	% equity interest	
		2011	2010
Zlatna Panega Beton EOOD	Bulgaria	100%	100%
Gravel and Sand Pits – Bulgaria EAD	Bulgaria	100%	100%
Eco Conception EOOD	Bulgaria	100%	-
Geospan EDOO (FYROM)	FYROM	100%	100%

The investments in subsidiaries are measured at cost as follows:

	2011	2010
	€000	€000
Zlatna Panega Beton EOOD	3,564	3,564
Gravel and Sand Pits Bulgaria EAD	69	69
Eco Conception EOOD	3	-
Geospan EDOO (FYROM)	75	55
	3,711	3,688

In 2011 the Company incorporated a new subsidiary Eco Conception EOOD. 100 % of the share capital of the newly incorporated subsidiary is owned by Zlatna Panega Cement AD.

In September 2011 the Board of Directors of the Company took a decision to increase the share capital of its subsidiary Geospan EDOO by EUR 20 thousand. The increase in the share capital was fully paid as of 31 December 2011.

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

In November 2011 the Board of Directors took a decision to increase the share capital of the subsidiary Zlatna Panega Beton EOOD by EUR 4,857 thousand. The share capital was fully paid on 30 January 2012 and the increase was registered at the trade register on 2 February 2012.

10.2 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 2011 and 31 December 2010.

11. 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 2011 the amount deposited and restricted for this purpose is EUR 71 thousand (31 December 2010: EUR 65 thousand). It earns interest at 2.5% per annum.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2011

12. Non-current assets held for sale

	<u>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
At 1 January	307	-
Additions	283	307
Transfers from property, plant and equipment (note 7)	1,029	-
Transfers from investment property (note 8)	290	-
Impairment loss to fair value less costs to sell (note 5.4)	(11)	-
At 31 December	<u>1,898</u>	<u>307</u>

As of 31 December 2011 Non-current assets held for sale at the amount of EUR 1,898 thousand comprise of unzoned land located in Sofia, a shop (Sofia), two apartments in Sofia and land plot in Malinova Dolina (Sofia) and fixed assets to be sold to Zlatna Panega Beton.

Non-current assets held for sale are valued at lower of carrying amount and fair value less costs to sale. The Company has engaged an independent appraiser to perform a fair valuation of the properties. The effective date of the valuations was 15 December 2011 and the appraiser confirmed that they were valid and as of 31 December 2011. The fair value was determined by the accredited external valuer using the market approach and the depreciated replacement cost method – the two values were weighted as the market approach was assigned 80% weight and the income approach – 20%. Under the market approach, the Appraiser used ask prices and adjusted them to reflect the differences in comparison to the valued property (such as location, accessibility, infrastructure, construction potential). In addition the Appraiser applied an ask price discount of 5%-10%.

13. Inventories

	<u>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
Spare parts	4,855	5,479
Raw materials	1,511	804
Finished goods	623	718
Work in progress	434	386
Packaging materials	332	382
	<u>7,755</u>	<u>7,769</u>

14. Trade and other receivables

	<u>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
Trade receivables	6,508	6,297
Receivables under court procedure	2,753	2,381
Less: Provision for impairment	(1,381)	(831)
Trade receivables, net	<u>7,880</u>	<u>7,847</u>
VAT receivable	-	369
Other receivables	308	162
Trade and other receivables, net	<u>8,188</u>	<u>8,378</u>

Trade receivables are non-interest bearing and are generally on 0-75 days terms.

ZLATNA PANEGA CEMENT AD
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14. Trade and other receivables (continued)

As at 31 December 2011, trade receivables at nominal value of EUR 1,805 thousand (31 December 2010: EUR 1,216 thousand) were impaired following receivable collectability analysis performed by the Company's management.

As at 31 December 2011, following an analysis on the ageing of receivables and the experienced delinquency in counterparties' payments, the management recognized additional impairment loss on receivables to amortized cost of EUR 429 thousand (2010: nil). The impairment loss is calculated based on the expected repayment dates and the original effective interest rate estimated at 10.3%.

Movements in the allowance for impairment of receivables were as follows:

	Individually impaired receivables
	€000
At 1 January 2010	599
Charge for the year (note 5.4)	315
Utilized	(77)
Unused amounts reversed (note 5.7)	(6)
At 31 December 2010	831
At 1 January 2011	831
Impairment of receivables to amortized cost (note 5.9)	429
Charge for the period (note 5.4)	239
Utilized	(56)
Unused amounts reversed (note 5.7)	(62)
At 31 December 2011	1,381

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	61-90 days	91-120 days	>120 days
	€000	€000	€000	€000	€000	€000	€000
31 December 2011	7,456	1,158	751	687	520	282	4,058
31 December 2010	7,462	1,088	250	1,136	428	463	4,097

Long-term receivables

As at 31 December 2011 the Company reports long-term portion of receivables of EUR 20 thousand (2010: EUR 517 thousand). They are non-interest bearing and are related to sale of cement to various clients. Receivables should be settled under repayment schedules agreed with respective clients. The maturity term of those receivables varies from 1 to 2 years. Long term receivables are presented at the present value of the expected future cash flows discounted at a discount rate of 10.3% per annum.

15. Prepayments

	2011	2010
	€000	€000
Prepayments to third parties	205	282
	205	282

ZLATNA PANEGA CEMENT AD
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16. Cash and short-term deposits

	<u>2011</u>	<u>2010</u>
	€000	€000
Cash at bank	260	251
Cash in hand	7	4
Short-term deposits with banks	4,755	-
	<u>5,022</u>	<u>255</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The short-term deposit is made in Bulgarian Leva for seven days and earns interest at 7.5% per annum. As of 31 December 2011 the fair value of cash and short-term deposits is EUR 5,022 thousand (2010: EUR 255 thousand).

17. Issued capital and reserves

17.1 Issued capital

	<u>2011</u>	<u>2010</u>
	€000	€000
Ordinary shares of EUR 0.51 each, as per court registration	16,450	16,450
Hyperinflation adjustment	12,152	12,152
	<u>28,602</u>	<u>28,602</u>

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.

	<u>Number of ordinary shares (thousands)</u>	<u>Authorised capital</u>
At 1 January 2010	32,173	16,450
At 1 January 2011	32,173	16,450
At 31 December 2011	32,173	16,450

All ordinary shares issued were fully paid.

17.2 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.

ZLATNA PANEGA CEMENT AD
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18. Interest - bearing loans to banks

Current	Effective interest rate %	Maturity	2011 €000	2010 €000
(1) Overdraft facility in BNP Paribas with limit of BGN 5,870 thousand	1M Sofibor +1.5 %	31 December 2011	-	86
(2) Overdraft facility in Raiffeisen bank with limit of BGN 10,000 thousand	1M Sofibor +2.3 %	15 June 2012	4,455	4,829
(3) Overdraft facility in Raiffeisen bank with limit of BGN 15,000 thousand	1M Sofibor +2.3 %	15 December 2012	7,664	4,452
(4) Overdraft facility in UBB AD with limit of BGN 9,779 thousand	BASE rate of UBB +1%	31 January 2012	4,739	58
(5) 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: short-term portion	1M Sofibor +1.5 %	11 March 2012	12,271	-
			<u>29,129</u>	<u>9,425</u>
	Effective interest rate %	Maturity	2011 €000	2010 €000
Non-Current				
(5) 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: long-term portion	1M Sofibor +1.5 %	11 March 2012	-	12,271
			<u>-</u>	<u>12,271</u>

(1) Overdraft facility concluded with BNP Paribas for a limit of BGN 5,870 thousand (EUR 3,000 thousand). The facility is secured by a Corporate Guarantee issued by Titan Cement S.A and has expired as at 31 December 2011.

(2) and (3) Overdraft facility concluded with Raiffeisen bank for a limit of BGN 25,000 thousand (EUR 12,782 thousand). The facility is secured by a Corporate Guarantee issued by Titan Cement S.A.

(4) Revolving credit line facility concluded with UBB for a limit of BGN 9,779 thousand (EUR 5,000 thousand). The facility is secured by a Corporate Guarantee issued by Titan Cement S.A.

(5) 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.

As at 31 December 2011, the Company has available EUR 726 thousand (31 December 2010: EUR 26,252 thousand) of undrawn committed and uncommitted borrowing facilities in respect of which all precedent conditions had been met.

ZLATNA PANEGA CEMENT AD
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19. Restoration provision

	<u>Restoration provision</u>
	<u>€000</u>
At 1 January 2010	1,463
Arising during the period (note 5.4)	12
Discount rate adjustment and imputed interest (note 5.9)	<u>107</u>
At 31 December 2010	1,582
At 1 January 2011	1,582
Arising during the period (note 5.4)	2
Discount rate adjustment and imputed interest (note 5.9)	<u>310</u>
At 31 December 2011	<u>1,894</u>

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.

20. 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 Company performs actuarial assessment of the retirement benefit obligation once a year as part of the annual financial statement close procedures.

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>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
Current service cost (note 5.4)	20	22
Interest cost (note 5.9)	12	13
Net actuarial gain recognised during the year (note 5.9)	(6)	(7)
Past service cost (note 5.4)	<u>-</u>	<u>21</u>
Net benefit expense recognised in the statement of comprehensive income	<u>26</u>	<u>49</u>

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20. Retirement benefits (continued)

Benefit liability

	<u>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
Present value of retirement benefit obligation	273	215
Unrecognised actuarial (losses) / gains	<u>(11)</u>	<u>38</u>
Benefit liability recognised in the balance sheet	<u>262</u>	<u>253</u>

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

	<u>Amount</u>
	<u>€000</u>
Retirement benefit obligation at 1 January 2010	233
Interest cost	13
Current service cost	22
Benefits paid	(8)
Actuarial gains on obligation	<u>(45)</u>
Retirement benefit obligation at 31 December 2010	215
Interest cost	12
Current service cost	20
Benefits paid	(17)
Actuarial losses on obligation	<u>43</u>
Retirement benefit obligation at 31 December 2011	<u>273</u>

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

	<u>2011</u>	<u>2010</u>
Discount rate	5.6 %	5.4 %
Future salary increases	5.8 %	4.0 %

Amounts for the year ended 31 December 2011 and previous four annual periods are as follows:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Present value of retirement benefit obligation	273	215	233	244	247
Experience adjustments on plan liabilities	(43)	(45)	(8)	7	(18)

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21. Other financial liabilities

	<u>2011</u>	<u>2010</u>
	€000	€000
<i>Non-current</i>		
Retentions	82	259
	<u>82</u>	<u>259</u>
<i>Current</i>		
Retentions	387	278
	<u>387</u>	<u>278</u>

According to the contracts signed with subcontractors in relation to its capital projects the Company retains certain amounts as guarantee for qualitative fulfillment of contractual obligations by subcontractors. Retentions are determined as a percentage of each progress payment. They are non-interest bearing and are payable as follows: 50% of the retentions – upon issue of Technical acceptance and 50% - 12 months after the issue of Technical acceptance. The maturity term of the retentions varies from 1 to 2 years. Upon initial recognition, retentions are measured at the present value of all future cash outflows using the discount rate of 7.3 % per annum. The Company accretes the discount to profit or loss using the effective interest rate method.

22. Trade and other payables

	<u>2011</u>	<u>2010</u>
	€000	€000
Trade payables from domestic suppliers	1,676	1,987
Trade payables from foreign suppliers	438	1,073
Trade payables	2,114	3,060
Customer prepayments	199	222
Unused paid leave	137	162
Social security	55	48
Payroll taxes	20	21
V.A.T payable	82	-
Other taxes	14	25
Insurance premium payable	18	18
Other payables	106	144
	<u>2,745</u>	<u>3,700</u>

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.

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23. 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, Geospan EDOO (FYROM), Eco Conception 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 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. During 2010 Holcim Karierni Materiali AD acquired 100% of Vris OOD. As a result of the transaction, Zlatna Panega Cement has a significant influence with interest of 48.77% in Vris OOD, through its subsidiary Gravel and Sand Pits – Bulgaria EAD.

Other related parties

Granitoid AD, Cementarnica Usje AD, Cementarnica Kosjerich, Antea Cement SHA, Shar Beteiligug, Beni Suef Cement Co, Adocim Cemento Beton, Titan America, Titan Beton and Aggregates Egypt LLC 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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23. Related party disclosures (continued)

Compensation of key management personnel

	<u>2011</u>	<u>2010</u>
	€000	€000
Short-term employee benefits	762	736
	<u>762</u>	<u>736</u>

24. Dividends distributed

During 2011, the General Meeting of Shareholders approved distribution of dividends in the amount of EUR 12,008 thousand (during 2010: Nil). The dividend per share is EUR 0.37 (2010: Nil). During 2011 the dividends were fully paid.

25. Commitments and contingencies

	<u>2011</u>	<u>2010</u>
	€000	€000
Capital commitments	622	3,197
Promissory note to the National Electricity Company	738	-
Promissory note to banks and leasing companies	55	5,761

Capital commitments

At 31 December 2011 the Company has capital commitments of EUR 622 thousand (2010: EUR 3,197 thousand) related to the completion of capital projects including: Girth gear for Raw mill, Water Drainage and others.

Legal claims

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

Finance lease commitments – Company as a lessee

In 2011, the Company has entered into finance lease contract for plant and machinery – two concrete centres and a concrete pump.

The future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

	<u>Minimum</u>	<u>2011</u>
	payments	Present value
	€000	of payments
	€000	€000
Within one year	83	79
After one year but not more than five years	137	133
Total minimum lease payments	220	212
Less amounts representing finance charges	(8)	-
Present value of minimum lease payments	<u>212</u>	<u>212</u>

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23. Related party disclosures (continued)

The following table provides the total amount of transactions, which have been entered into with related parties during 2011 and 2010 as well as balances with related parties as of 31 December 2011 and 31 December 2010:

		Sales to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
		€000	€000	€000	€000
In respect of sales / purchases from related parties					
<i>Ultimate parent company</i>					
Titan Cement Company S.A.	2011	-	224	-	20
Titan Cement Company S.A.	2010	56	1	-	1
<i>Subsidiaries</i>					
Zlatna Panega Beton EOOD	2011	3,183	319	2,694	-
Zlatna Panega Beton EOOD	2010	2,719	1,859	1,728	-
<i>Other related parties</i>					
Cementarnica Usje AD	2011	79	-	2	-
Cementarnica Usje AD	2010	90	-	2	-
Cementarnica Kosjerich	2011	11	-	-	-
Cementarnica Kosjerich	2010	11	-	-	-
Shar Beteiligung	2011	304	-	-	-
Shar Beteiligung	2010	11	-	-	-
Antea Cement SHA	2011	17	-	-	-
Antea Cement SHA	2010	91	-	26	-
Titan America	2011	-	-	-	-
Titan America	2010	-	7	-	-
Beni Suef Cement Co	2011	-	-	-	2
Beni Suef Cement Co	2010	-	-	-	-
Adocim Cemento Beton	2011	-	-	1	-
Adocim Cemento Beton	2010	-	-	-	-
Titan Beton and Aggregates Egypt LLC	2011	-	-	-	-
Titan Beton and Aggregates Egypt LLC	2010	211	-	-	-
	2011			<u>2,697</u>	<u>22</u>
	2010			<u>1,756</u>	<u>1</u>

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23. 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 parties					
<i>Subsidiaries</i>					
Zlatna Panega Beton EOOD	2011	38	-	1,180	-
Zlatna Panega Beton EOOD	2010	-	-	-	-
Gravel and Sand Pits EAD	2011	-	13	-	-
Gravel and Sand Pits EAD	2010	-	83	-	1,031
<i>Other related parties</i>					
Granitoid AD	2011	4	-	53	-
Granitoid AD	2010	2	-	42	-
	2011			<u>1,233</u>	<u>-</u>
	2010			<u>42</u>	<u>1,031</u>

As at 31 December 2011 included in the amounts owed from related parties in respect of loans granted is interest receivable from Zlatna Panega Beton and Granitoid at the respective amounts of EUR 4 thousand and EUR 6 thousand.

Loans owed to related parties

Gravel and Sand Pits – Bulgaria EAD

During the year ended 31 December 2011, Zlatna Panega Cement AD fully repaid the borrowed from Gravel and Sand Pits – Bulgaria AD loan. The intercompany loan was intended to finance the working capital needs of Zlatna Panega Cement AD. The loan was unsecured and was repayable in 2011. Interest was charged at 3M Sofibor plus spread of 2%.

Loans owed from related parties

Zlatna Panega Beton EOOD

During the year ended 31 December 2011, the Company borrowed to Zlatna Panega Beton EOOD an amount of EUR 1,572 thousand (2010: Nil). It is intended to finance the working capital needs of the company. The loan is unsecured and is repayable in March 2012. Interest is charged at 1M Sofibor rate plus spread of 2.30%. During the year Zlatna Panega Beton repaid EUR 396 thousand of the loan.

Granitoid AD

As of 31 December 2011, Zlatna Panega Cement AD has borrowed to Granitoid AD an amount of EUR 47 thousand (2010: EUR 40 thousand). The intercompany loan is intended to finance the working capital needs of Granitoid. The loan is unsecured and is repayable in January 2012. Interest is charged at Interest Rate of 9.11%.

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 18, there have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 December 2011, the Company has not recorded any impairment of receivables relating to amounts owed from related parties (31 December 2010: 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.

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25. Commitments and contingencies (continued)

Bank guarantees

The Company has established the following bank guarantees secured by the overdraft facility in UBB AD:

<u>Bank guarantee issued in favour of:</u>	<u>Validity term</u>	<u>Amount EUR thousand</u>
National Electricity Company	31 January 2012	74
Electricity System Operator	31 January 2012	44
Electricity System Operator	31 January 2013	44
Ministry of Economy and Energy	31 January 2012	18
Electricity System Operator	31 January 2012	11
Ministry of Economy and Energy	31 January 2012	7
		198

Other

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

- Corporate income tax – until 31 December 2009;
- VAT – until 31 October 2010;
- Personal income tax – until 31 December 2008;
- Social security contributions – until 30 June 2009;
- Local taxes and fees – until 31 December 2004.

The directors do not believe that, as of 31 December 2011, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

26. Financial risk management objectives and policies

The Company's principal financial liabilities comprise bank loans and borrowings, trade and other 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 and other 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.

	<u>Increase/decrease in basis points</u>	<u>Effect on profit before tax</u>
	€000	€000
2011		
Loans in BGN	+200	(559)
Loans in BGN	-100	279
2010		
Loans in BGN	+200	(496)
Loans in BGN	-100	248
		41

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26. 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 2011

	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	-	17,097	12,119	-	-	29,216
Finance lease liabilities	-	25	58	137	-	220
Trade payables	-	2,114	-	-	-	2,114
Other payables	-	631	-	-	-	631
Payables to related parties	-	22	-	-	-	22
Other financial liabilities	-	-	408	85	-	493
	-	19,889	12,585	222	-	32,696

As of 31 December 2010

	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	-	116	9,772	12,367	-	22,255
Trade payables	-	3,060	-	-	-	3,060
Other payables	-	640	-	-	-	640
Payables to related parties	-	1	1,031	-	-	1,032
Other financial liabilities	-	-	289	289	-	578
	-	3,817	11,092	12,656	-	27,565

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.

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. The maximum exposure is the carrying amount as disclosed in note 14. 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.

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26. Financial risk management objectives and policies (continued)

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following the shareholders' approval. No changes were made in the objectives, policies or processes during the year ended 31 December 2011 and 31 December 2010.

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

	<u>2011</u>	<u>2010</u>
	€000	€000
EBITDA	<u><u>24,041</u></u>	<u><u>13,058</u></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.

27. 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 reporting 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 and borrowings, trade and other payables, other financial assets and other financial liabilities, 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.

28. Events after the reporting period

In November 2011 the Board of Directors took a decision to increase the share capital of the subsidiary Zlatna Panega Beton EOOD by EUR 4,857 thousand. The share capital was fully paid on 30 January 2012 and the increase was registered at the trade register on 2 February 2012.

No other significant events have been identified after the reporting period that may influence the financial statements.