



**ZLATNA PANEGA BETON EOOD**

**ANNUAL FINANCIAL STATEMENTS**

31 December 2011

# ZLATNA PANEGA BETON EOOD

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# ZLATNA PANEGA BETON EOOD

## General Information

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### **Directors**

Manousos Petrakakis – Executive Director  
Biser Dosev - Procurator

### **Registered office**

6, Poruchik Nedelcho Bonchev Str.  
Sofia

### **Solicitors**

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

### **Bankers**

Societe General – Expressbank - Sofia

### **Auditors**

Ernst & Young Audit OOD  
Polygraphia Office Center  
47A, Tsarigradsko Shose Blvd., fl.4  
1124 Sofia

## ZLATNA PANEGA BETON EOOD

### 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 (IFRS), 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 AND BUSINESS DESCRIPTION

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

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

### BUSINESS DESCRIPTION

#### Current year results

The overall financial performance and position of the Company for the year ended 31 December 2011 was characterized by:

- Stabilizing the market position of the Company in the sector under increasing competition. As a result of this the Company has sold 357 thousand cubic meters concrete.
- Sales of concrete to big investment projects in Sofia.

#### Share capital structure

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

As at 31 December 2011 Zlatna Panega Beton EOOD has no subsidiaries or associates.

### OBJECTIVES OF THE COMPANY FOR 2012

- Increase of the effectiveness of industrial performance.
- Keeping of the market share in the conditions of extremely decreased construction market.
- Expand in infrastructure projects around the country.
- Keeping of the cost optimization policy.

## ZLATNA PANEGA BETON EOOD

### DIRECTORS' REPORT

For the year ended 31 December 2011

#### CORPORATE GOVERNANCE

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

The management of the Company consists of:

Manousos Petrakakis - Executive Director

Biser Dosev - Procurator

#### Directors' responsibilities

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

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



Manousos Petrakakis  
Executive Director  
Zlatna Panega Beton EOOD  
Sofia  
13 March 2012



## Independent auditors' report

To the sole owner of

Zlatna Panega Beton EOOD

### Report on the financial statements

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

#### Management's responsibility for the financial statements

Management is responsible for the preparation and presentation of 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of 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 financial statements.

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zlatna Panega Beton EOOD as of 31 December 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 BETON EOOD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 31 December 2011

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		€000	€000
Sales of goods		6,846	5,879
Rendering of services		1,185	795
<b>Revenue</b>		<b>8,031</b>	<b>6,674</b>
Cost of sales	5.1	(8,718)	(6,520)
<b>Gross (loss)/ profit</b>		<b>(687)</b>	<b>154</b>
Other income	5.7	25	93
Selling and distribution costs	5.2	(152)	(166)
Administrative expenses	5.3	(440)	(372)
Other expenses	5.4	(210)	(120)
<b>Operating loss</b>		<b>(1,464)</b>	<b>(411)</b>
Finance costs	5.8	(312)	(206)
<b>Loss before tax</b>		<b>(1,776)</b>	<b>(617)</b>
Income tax	6	2	7
<b>Loss for the year</b>		<b>(1,774)</b>	<b>(610)</b>
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive income for the year</b>		<b>(1,774)</b>	<b>(610)</b>

  
Manousos Petrakakis  
Executive Director



The accompanying notes to the financial statements on pages 7 to 37 form an integral part of these financial statements.



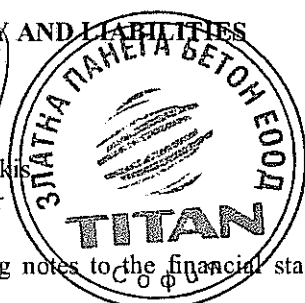
**ZLATNA PANEGA BETON EOOD**

**BALANCE SHEET**

As of 31 December 2011

	Notes	2011 €000	2010 €000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	6,244	6,586
Intangible assets	8	44	35
Other financial assets	9	9	15
		<u>6,297</u>	<u>6,636</u>
<b>Current assets</b>			
Inventories	12	119	205
Trade and other receivables	13	3,401	2,276
Deferred expenses	10	44	124
Advances paid		-	85
Income tax receivables		29	34
Cash and cash equivalents	14	2	98
		<u>3,595</u>	<u>2,822</u>
Non-current assets held for sale	11	524	-
		<u>4,119</u>	<u>2,822</u>
<b>TOTAL ASSETS</b>		<u><b>10,416</b></u>	<u><b>9,458</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	15	3,564	3,564
Accumulated losses		(3,783)	(2,009)
<b>Total equity</b>		<u><b>(219)</b></u>	<u><b>1,555</b></u>
<b>Non-current liabilities</b>			
Finance lease liabilities	20	151	222
Retirement benefit liability	16	50	45
Deferred tax liability	6	40	42
		<u>241</u>	<u>309</u>
<b>Current liabilities</b>			
Interest bearing loans	17	4,931	4,953
Finance lease liabilities	20	71	66
Trade and other payables	18	475	660
Advances received		67	70
Payables to related parties	19	4,850	1,845
		<u>10,394</u>	<u>7,594</u>
<b>Total liabilities</b>		<u><b>10,635</b></u>	<u><b>7,903</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>10,416</b></u>	<u><b>9,458</b></u>

Manousos Petrakakis  
Executive Director



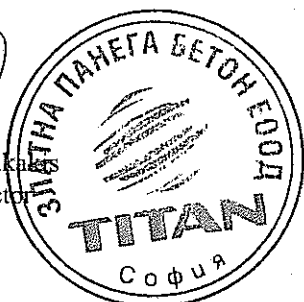
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**ZLATNA PANEGA BETON EOOD**  
**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2011

	Issued capital (note 15)	Accumulated losses	Total
	€000	€000	€000
<b>At 1 January 2010</b>	<b>3,564</b>	<b>(1,399)</b>	<b>2,165</b>
Loss for the year	-	(610)	(610)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(610)	(610)
<b>At 31 December 2010</b>	<b>3,564</b>	<b>(2,009)</b>	<b>1,555</b>
<b>At 1 January 2011</b>	<b>3,564</b>	<b>(2,009)</b>	<b>1,555</b>
Loss for the year	-	(1,774)	(1,774)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(1,774)	(1,774)
<b>At 31 December 2011</b>	<b>3,564</b>	<b>(3,783)</b>	<b>(219)</b>

Manoussos Petrakakis  
 Executive Director



The accompanying notes to the financial statements on pages 7 to 37 form an integral part of these financial statements.

**ZLATNA PANEGA BETON EOOD****STATEMENT OF CASH FLOWS**

For the year ended 31 December 2011

	<u>Notes</u>	<u>2011</u>	<u>2010</u>
		€000	€000
<b>OPERATING ACTIVITIES</b>			
<b>Loss before tax</b>		<b>(1,776)</b>	<b>(617)</b>
Adjustments to reconcile loss before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	361	317
Amortisation of intangible assets	8	7	9
Gain on disposal of property, plant and equipment	5.7	-	(33)
Movement in doubtful debt allowance	13	81	24
Movement in retirement benefit liability		5	10
Interest expense	5.8	301	202
Inventory shortage and scrap, net	5.4	75	-
Working capital adjustments:			
Decrease/ (Increase) in inventories		11	(84)
Increase in trade and other receivables		(1,206)	(1,209)
Increase in trade and other payables		737	1,804
Decrease/ (Increase) in deferred expenses		80	(106)
Increase in advances paid		-	(85)
<b>Net cash flows (used in)/ from operating activities</b>		<b>(1,324)</b>	<b>232</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of property, plant and equipment		-	230
Purchase of property, plant and equipment		(458)	(174)
Purchase of intangible assets	8	(16)	(31)
<b>Net cash flows (used in)/ from investing activities</b>		<b>(474)</b>	<b>25</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings from banks		10,107	6,675
Repayment of borrowings to banks		(10,129)	(6,581)
Payment of finance lease liabilities		(66)	(60)
Proceeds from loans from related parties		2,573	-
Repayment of loans from related parties		(495)	-
Interest paid		(288)	(202)
<b>Net cash flows from/ (used in) financing activities</b>		<b>1,702</b>	<b>(168)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(96)</b>	<b>89</b>
<b>Cash and cash equivalents at 1 January</b>		<b>98</b>	<b>9</b>
<b>Cash and cash equivalents at 31 December</b>	14	<b>2</b>	<b>98</b>

Manoussis Petrakakis  
Executive Director



The accompanying notes to the financial statements on pages 7 to 37 form an integral part of these financial statements.

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

For the year ended 31 December 2011

**1. Corporate information**

The financial statements of Zlatna Panega Beton EOOD (the Company) for the year ended 31 December 2011 were authorized for issue by the Executive Director on 13 March 2012.

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

The principal activities of the Company include production and sale of concrete.

As of 31 December 2011 the sole owner of the Company is Zlatna Panega Cement AD, incorporated and domiciled in Zlatna Panega, Bulgaria.

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

**2.1. Basis of preparation**

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

**Statement of compliance**

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

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

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 Executive Director on 13 March 2012.

**Going concern**

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

For the year ended 31 December 2011 the Company incurred net loss of EUR 1,774 thousand (2010: EUR 610 thousand) and its current liabilities exceed its current assets (including non-current assets held for sale) by EUR 6,275 thousand as of 31 December 2011 (2010: EUR 4,772 thousand). This may cast doubts as regards its ability to continue its activities as a going concern. The future viability of the Company depends upon the business environment as well as upon the continuing support of the sole owner and providers of finance as the major part (94%) of total current liabilities comprised of loans to banks and payables to related parties. The management analyzed the ability of Zlatna Panega Beton EOOD to continue operations in the near future and have taken measures to strengthen its position by obtaining financial support from the parent company and other related parties. For the year ended 31 December 2011 the Company has been provided with binding letter of support from the parent company, stating that adequate funds and full support would be provided to enable the Company to continue operations at least until the next twelve-month period.

Further, on 29 November 2011 the parent company took a decision to increase the share capital of Zlatna Panega Beton EOOD by EUR 4,857 thousand. The increase took place in the beginning of 2012, significantly improving the working capital of the Company.

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

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

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 and pumping services is recognized over the period during which the service is performed.

*Rental income*

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

*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.

**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.

**ZLATNA PANEGA BETON EOOD**  
**NOTES TO THE 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 goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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 in 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.

**ZLATNA PANEGA BETON EOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2011

**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 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All 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 cash and short-term deposits, trade and other receivables and other financial assets.

**Subsequent measurement**

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

*Loans and receivables*

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

**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.

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.

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

For the year ended 31 December 2011

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

**d) Financial instruments – initial recognition and subsequent measurement (continued)**

• **Financial assets (continued)**

**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.

• **Financial liabilities**

**Initial recognition and measurement**

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 and interest bearing loans and borrowings.



## 2.2. Summary of significant accounting policies (continued)

### d) Financial instruments – initial recognition and subsequent measurement (continued)

#### • Financial liabilities (continued)

##### Subsequent measurement

The subsequent valuation of financial assets 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 recognized in profit or loss when the liabilities are derecognized as well as through the effective interest method amortization process.

##### Derecognition of financial liabilities

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

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

### 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 recognized amounts and there is an intention to settle on a net basis, or to realize 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 22.

### g) Property, plant and equipment

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

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

For the year ended 31 December 2011

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

**g) Property, plant and equipment (continued)**

Depreciation is calculated on a straight line basis over the useful life of the assets as follows:

Buildings	50 years
Plant and machinery	4 to 20 years
Vehicles, including concrete pumps	5 to 20 years
Furniture and fittings	7 years

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

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

**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) 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.

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

For the year ended 31 December 2011

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

**j) 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 consist 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.

**k) Intangible assets**

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and/ or any accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

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

A summary of the policies and respective useful lives applied to the Company's intangible assets is as follows:

Licenses	3 to 15 years
Computer software	5 years

**l) Inventories**

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

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

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

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

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

For the year ended 31 December 2011

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

**m) Impairment of non-financial assets**

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

Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

For non-financial assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

**n) Cash and cash equivalents**

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

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

**o) Retirement benefits**

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

The past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, the retirement plan, past service cost is recognized immediately.

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

**p) Issued capital**

Issued capital represents the par value of shares issued and paid by the sole owner as disclosed in note 15. Any proceeds in excess of par value are recorded in share premium.

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

For the year ended 31 December 2011

## **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.

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

For the year ended 31 December 2011

**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*

**3. Significant accounting judgements, estimates and assumptions**

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

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

*Retirement benefits*

The cost of retirement benefit plan is determined using actuarial valuation for the financial year 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 50 thousand (31 December 2010: EUR 45 thousand). Further details are given in note 16 to the financial statements.

*Useful lives of property plant and equipment, and intangible assets*

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and their residual values. The determination of the useful lives of the assets is based on management's judgment. Further details are provided in note 2.2 g) and note 2.2 k).

*Impairment of receivables*

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful receivables, management bases its estimates on the aging of accounts receivable, balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. At 31 December 2011 the best estimate of the provision for impairment of receivables is EUR 163 thousand (31 December 2010: EUR 82 thousand). Further details are provided in note 13.

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

For the year ended 31 December 2011

**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.

**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.

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

For the year ended 31 December 2011

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

***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.

***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.



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

For the year ended 31 December 2011

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

***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 EU.

**ZLATNA PANEGA BETON EOOD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 31 December 2011

**5. Expenses and other revenues**

**5.1. Cost of sales**

	<u>2011</u>	<u>2010</u>
	€000	€000
<b>Variable costs</b>		
Cement	(3,126)	(2,623)
Aggregates	(2,110)	(1,760)
Freight	(827)	(467)
Additives	(491)	(322)
Front loader services	(221)	(123)
Fuel and oil	(179)	(134)
Electricity	(65)	(36)
Repair and maintenance	(55)	(15)
Other variable costs	(84)	(15)
<b>Fixed costs</b>		
Plant salaries, wages and related expenses	(497)	(374)
Depreciation	(347)	(302)
Operating expenses for mobile plants	(144)	(20)
Security	(112)	(103)
Repair and maintenance cost	(72)	(15)
Contract labour	(67)	(18)
Concrete pumps rent	(64)	(65)
Insurance and taxes	(56)	(26)
Fuel	(27)	(14)
Plant utilities	(22)	(15)
Amortization	(7)	(9)
Other fixed costs	(145)	(64)
	<u>(8,718)</u>	<u>(6,520)</u>

**5.2. Selling and distribution costs**

	<u>2011</u>	<u>2010</u>
	€000	€000
Salaries and related expenses	(91)	(97)
Fuel	(20)	(19)
Litigation charges	(16)	(16)
Transport vehicle rent	(6)	(5)
Travel - entertainment	(3)	(6)
Advertising and promotion	(3)	(6)
Other distribution costs	(13)	(17)
	<u>(152)</u>	<u>(166)</u>

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

For the year ended 31 December 2011

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

**5.3. Administrative expenses**

	<u>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
Salaries and related expenses	(176)	(147)
Car expenses	(82)	(64)
Insurance and taxes	(30)	(36)
Consultancy fees	(27)	(17)
Travel - entertainment	(20)	(17)
Telecommunications	(20)	(16)
Depreciation	(14)	(15)
Supplies	(7)	(4)
Audit fees	(4)	(7)
Repairs and maintenance	(4)	(10)
Other	(56)	(39)
	<u>(440)</u>	<u>(372)</u>

**5.4. Other expenses**

	<u>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
Impairment of trade receivables (note 13)	(81)	(24)
Shortage and scrap of assets, net	(75)	(18)
Staff leaving indemnities	(10)	(19)
Retirement benefit charge (note 16)	(9)	(10)
Other	(35)	(49)
	<u>(210)</u>	<u>(120)</u>

**5.5. Expenses by nature**

	<u>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
Materials used and recognized as an expense	(6,245)	(5,007)
Hired services	(1,628)	(983)
Depreciation (note 7)	(361)	(317)
Amortization (note 8)	(7)	(9)
Employee benefits expense (note 5.6)	(773)	(628)
Other	(506)	(234)
<b>Total cost of sales, selling and distribution, administrative and other expenses</b>	<u>(9,520)</u>	<u>(7,178)</u>

**ZLATNA PANEGA BETON EOOD**  
**NOTES TO THE 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	(634)	(516)
Social security costs	(113)	(86)
Retirement benefits (note 16)	(9)	(10)
Other related expenses	(17)	(16)
	<u>(773)</u>	<u>(628)</u>

**5.7. Other income**

	<u>2011</u>	<u>2010</u>
	€000	€000
Rental income	24	20
Net movement in unused paid leave (note 18)	1	12
Profit from sales of tangible assets	-	33
Income from sales of scrap and materials	-	4
Other	-	24
	<u>25</u>	<u>93</u>

**5.8. Finance costs**

	<u>2011</u>	<u>2010</u>
	€000	€000
Interest on bank loans and overdrafts	(207)	(201)
Interest on loans from related parties (note 19)	(70)	-
Interest under finance leases	(18)	(1)
Effect from discounting of receivables	(6)	-
Other expenses and fees	(11)	(4)
	<u>(312)</u>	<u>(206)</u>

**6. Income tax**

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

	<u>2011</u>	<u>2010</u>
	€000	€000
Current income tax charge	-	-
Deferred tax benefit	2	7
<b>Income tax benefit reported in the statement of comprehensive income</b>	<u>2</u>	<u>7</u>

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

For the year ended 31 December 2011

**6. Income tax (continued)**

In 2011 the nominal statutory tax rate is 10% (2010: 10%). In 2012 the nominal statutory tax rate is 10 %.

Reconciliation between income tax benefit and the result of accounting loss multiplied by the statutory tax rate for the year ended 31 December 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
	<u>€000</u>	<u>€000</u>
Accounting loss before income tax	(1,776)	(617)
Income tax benefit at statutory tax rate of 10 % for 2011 (2010: 10%)	178	62
Expenses not deductible for tax purposes	(11)	(3)
Tax losses for which no deferred income tax asset was recognized	(165)	(52)
<b>Income tax benefit</b>	<b><u>2</u></b>	<b><u>7</u></b>

Deferred income tax at 31 December relates to the following:

	<u>Balance sheet</u>		<u>Statement of comprehensive income</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	€000	€000	€000	€000
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	(63)	(57)	(6)	5
<i>Deferred tax asset</i>				
Unused leave allowance	2	2	-	(1)
Retirement benefits	5	5	-	1
Doubtful debt allowance	16	8	8	2
	<u>23</u>	<u>15</u>		
<b>Deferred tax benefit</b>			<b><u>2</u></b>	<b><u>7</u></b>
<b>Deferred tax liability, net</b>	<b><u>(40)</u></b>	<b><u>(42)</u></b>		

The Company has incurred tax losses as follows:

<u>Tax period</u>	<u>Period for utilization of tax losses carried forward</u>	<u>2011</u>	<u>2010</u>
		€000	€000
2011	2012 through 2016	1,647	-
2010	2011 through 2015	519	519
2009	2010 through 2014	1,342	1,342
2008	2009 through 2013	460	460
2007	2008 through 2012	30	30
		<u>3,998</u>	<u>2,351</u>
Applicable tax rate		10%	10%
Unrecognized deferred tax asset		<u>400</u>	<u>235</u>

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**6. Income tax (continued)**

Tax losses incurred are available for offset against future taxable profits within five-year period, as mentioned above. Since the amounts and timing of future taxable income cannot be estimated reliably due to uncertainties in the Company's economic environment, no deferred tax asset has been recognized for the tax losses carried forward as at 31 December 2011.

**7. Property, plant and equipment**

	Land and buildings	Plant and machinery	Vehicles	Furniture and fittings	Assets under construction	Total
	€000	€000	€000	€000	€000	€000
<b>Cost:</b>						
At 1 January 2010	3,724	4,397	3,075	251	522	11,969
Additions	23	105	367	22	28	545
Disposals	(1,308)	-	(367)	(5)	(38)	(1,718)
<b>At 31 December 2010</b>	<b>2,439</b>	<b>4,502</b>	<b>3,075</b>	<b>268</b>	<b>512</b>	<b>10,796</b>
At 1 January 2011	2,439	4,502	3,075	268	512	10,796
Additions	2	433	13	83	12	543
Transfers	-	30	-	-	(30)	-
Transfer to Assets held for sale (note 11)	-	-	(305)	-	(310)	(615)
<b>At 31 December 2011</b>	<b>2,441</b>	<b>4,965</b>	<b>2,783</b>	<b>351</b>	<b>184</b>	<b>10,724</b>
<b>Depreciation:</b>						
At 1 January 2010	479	1,634	1,834	122	-	4,069
Depreciation charge for the year	31	184	81	21	-	317
Disposals	-	-	(171)	(5)	-	(176)
<b>At 31 December 2010</b>	<b>510</b>	<b>1,818</b>	<b>1,744</b>	<b>138</b>	<b>-</b>	<b>4,210</b>
At 1 January 2011	510	1,818	1,744	138	-	4,210
Depreciation charge for the year	31	218	87	25	-	361
Transfer to Assets held for sale (note 11)	-	-	(91)	-	-	(91)
<b>At 31 December 2011</b>	<b>541</b>	<b>2,036</b>	<b>1,740</b>	<b>163</b>	<b>-</b>	<b>4,480</b>
<b>Net book value:</b>						
At 1 January 2010	3,245	2,763	1,241	129	522	7,900
At 31 December 2010	1,929	2,684	1,331	130	512	6,586
At 31 December 2011	1,900	2,929	1,043	188	184	6,244

*Finance leases and assets under construction*

The carrying value of vehicles held under finance lease as at 31 December 2011 was EUR 329 thousand (2010: EUR 346 thousand).

Assets under construction include mainly uncompleted ready-mix plants in Stara Zagora and Pazardzhik. Due to the adverse effect of the financial crisis on the industry, the management decided to postpone their completion to 2012, following the instructions from the ultimate parent company.

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For the year ended 31 December 2011

**7. Property, plant and equipment (continued)**

*Impairment of property, plant and equipment*

Based on the review for impairment indicators of the Property, plant and equipment, 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).

**8. Intangible assets**

	<u>Licenses</u>	<u>Computer software</u>	<u>Total</u>
<b>Cost:</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
At 1 January 2010	25	70	95
Additions	31	-	31
<b>At 31 December 2010</b>	<b>56</b>	<b>70</b>	<b>126</b>
At 1 January 2011	56	70	126
Additions	-	16	16
<b>At 31 December 2011</b>	<b>56</b>	<b>86</b>	<b>142</b>
<b>Amortization:</b>			
At 1 January 2010	21	61	82
Amortization charge for the year	-	9	9
<b>At 31 December 2010</b>	<b>21</b>	<b>70</b>	<b>91</b>
At 1 January 2011	21	70	91
Amortization charge for the period	6	1	7
<b>At 31 December 2011</b>	<b>27</b>	<b>71</b>	<b>98</b>
<b>Net book value:</b>			
At 1 January 2010	4	9	13
At 31 December 2010	35	-	35
<b>At 31 December 2011</b>	<b>29</b>	<b>15</b>	<b>44</b>

*Impairment of intangible assets*

The management of 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).

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**9. Other financial assets**

	<u>2011</u>	<u>2010</u>
	€000	€000
Operating lease deposits – non-current portion	<u>9</u>	<u>15</u>
	<u>9</u>	<u>15</u>

Operating lease deposits are non-interest bearing and are refundable upon termination of the respective lease arrangements.

**10. Deferred expenses**

	<u>2011</u>	<u>2010</u>
	€000	€000
Operating expenses for mobile plants	33	102
Other deferred expenses	<u>11</u>	<u>22</u>
	<u>44</u>	<u>124</u>

During 2011 the Company has incurred expenses at the total amount of EUR 39 thousand (2010: EUR 122 thousand) in relation to the installation of mobile concrete plants at the sites of new construction projects. The expenses were deferred and will be recognized on a straight line basis until the end terms of the contracts with the respective contractors. During the current period EUR 108 thousand of installation expenses were recognized (2010: EUR 20 thousand).

**11. Non-current assets held for sale**

In December 2011 the management of the Company took a decision for the sale of a concrete-mix plant and a concrete pump vehicle to a related party within the Titan Group – Titan Beton and Aggregates Egypt. The sale is expected to be completed by the end of 2012.

Following the above decision of the management and the advanced stage of negotiations with the related company, Zlatna Panega Beton EOOD transferred the stated assets from Property, plant and equipment to Non-current assets held for sale as of 31 December 2011 (note 7).

Non-current assets held for sale are measured at their carrying amount of EUR 524 thousand as of 31 December 2011 as it is lower than their fair value less cost to sell as determined by the pre-agreed selling price.



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For the year ended 31 December 2011

**12. Inventories**

	<u>2011</u>	<u>2010</u>
	€000	€000
Raw materials (at cost)	86	148
Spare parts and supplies	33	57
	<u>119</u>	<u>205</u>

**13. Trade and other receivables**

	<u>2011</u>	<u>2010</u>
	€000	€000
Trade receivables	3,209	1,952
Receivables under court procedure	343	311
Less: Doubtful debt allowance	(163)	(82)
Trade receivables, net	<u>3,389</u>	<u>2,181</u>
Deposits – current portion	12	2
VAT receivables	-	93
<b>Trade and other receivables, net</b>	<u><b>3,401</b></u>	<u><b>2,276</b></u>

Trade receivables are non-interest bearing and are generally on 0 - 60 days' terms.

As at 31 December 2011 trade receivables at nominal value of EUR 193 thousand (31 December 2010: EUR 136 thousand) were provided for impairment following receivable collectability analysis performed by the Company's management. Movements in the allowance for impairment of receivables were as follows:

	<u>Allowance for individually impaired receivables</u>
	€000
<b>At 1 January 2010</b>	<b>58</b>
Charge for the year (note 5.4)	24
<b>At 31 December 2010</b>	<u><b>82</b></u>
<b>At 1 January 2011</b>	<b>82</b>
Charge for the year (note 5.4)	81
<b>31 December 2011</b>	<u><b>163</b></u>

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

For the year ended 31 December 2011

**13. Trade and other receivables (continued)**

The aging analysis of trade receivables is as follows:

	Total €000	Neither past due nor impaired €000	Past due but not impaired				
			< 30 days €000	30-60 days €000	60-90 days €000	90-120 days €000	>120 days €000
2011	3,359	1,287	414	229	147	293	989
2010	2,127	1,405	204	158	103	74	183

**14. Cash and cash equivalents**

	2011 €000	2010 €000
Cash in hand	1	2
Cash at bank	1	21
Restricted cash	-	75
	<b>2</b>	<b>98</b>

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

**Restricted cash**

Restricted cash as of 31 December 2010 served as collateral on issued bank guarantee as disclosed in note 20.

**15. Issued capital**

	2011 €000	2010 €000
Shares of EUR 5 each, as per court registration	3,564	3,564
	<b>3,564</b>	<b>3,564</b>

	Number of shares (thousands)	Authorized capital €000
At 1 January 2010	697	3,564
At 1 January 2011	697	3,564
31 December 2011	697	3,564

All shares issued were fully paid.

On 29 November 2011 the parent company took a decision to increase the share capital of Zlatna Panega Beton EOOD by EUR 4,857 thousand. The increase took place on 2 February 2012.

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**16. Retirement benefits**

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

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

**Net benefit expense**

	<u>2011</u>	<u>2010</u>
	€000	€000
Current service cost	(9)	(7)
Net actuarial gain/ (loss) recognized during the year	1	(1)
Interest cost	<u>(1)</u>	<u>(2)</u>
<b>Net benefit expense recognized in the statement of comprehensive income (note 5.6)</b>	<u><b>(9)</b></u>	<u><b>(10)</b></u>

**Benefit liability**

	<u>2011</u>	<u>2010</u>
	€000	€000
Present value of defined benefit obligation	37	38
Unrecognized actuarial gain	<u>13</u>	<u>7</u>
<b>Benefit liability recognized in the balance sheet</b>	<u><b>50</b></u>	<u><b>45</b></u>

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

	<u>Amount</u>
	€000
<b>Retirement benefit obligation at 1 January 2010</b>	<b>29</b>
Interest cost	2
Current service cost	<u>7</u>
<b>Retirement benefit obligation at 31 December 2010</b>	<b>38</b>
Interest cost	1
Current service cost	9
Payment of benefits during the year	(4)
Actuarial gain for the period	<u>(7)</u>
<b>Retirement benefit obligation at 31 December 2011</b>	<u><b>37</b></u>

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

	<u>2011</u>	<u>2010</u>
Discount rate	5.60%	5.43%
Future salary increases	2.7% - 5.6%	4%

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For the year ended 31 December 2011

**16. Retirement benefits (continued)**

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	€000	€000	€000	€000	€000
Retirement benefit obligation	50	45	35	31	25

**17. Interest bearing loans**

	<u>Effective interest rate %</u>	<u>Maturity</u>	<u>2011</u>	<u>2010</u>
<b>Current</b>			<b>€000</b>	<b>€000</b>
Overdraft facility with limit of BGN 10,000 thousand	1M Sofibor + 2 %	31.01.2012	4,931	4,953
			<u>4,931</u>	<u>4,953</u>

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

As at 31 December 2011, the Company has available EUR 182 thousand undrawn funds under the above overdraft facility.

**18. Trade and other payables**

	<u>2011</u>	<u>2010</u>
	€000	€000
Trade payables to domestic suppliers	336	569
Trade payables to foreign suppliers	4	19
Trade payables	340	588
Payables to employees	38	32
Accrued liabilities for dismantling of mobile plants	36	-
Unused paid leave	19	20
VAT payable	16	-
Social security	13	11
Payroll taxes	4	4
Other payables	9	5
	<u>475</u>	<u>660</u>

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

- Trade payables are non-interest bearing and are normally settled on 10-60 day terms;
- Tax payables are non-interest bearing and are settled within the legal deadlines;
- Other payables are non-interest bearing and have an average term of 10 days;
- The accrued liabilities for dismantling of mobile plants are related to the exploitation of leased and owned mobile plants that are scheduled to be dismantled in 2012. The total costs necessary for dismantling of these plants are determined on the basis of internal assessment or contractual obligations and are accrued on a straight-line basis for the period of the contract.

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**19. Related party disclosures**

*The ultimate parent*

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

*Entity with controlling interest in the Company*

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

*Other related parties*

Gravel and Sand Pits Bulgaria AD and Zlatna Panega Beton EOOD are related parties because they are both 100% subsidiaries of Zlatna Panega Cement AD.

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

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

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

		<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Amounts owed by related parties</u>	<u>Amounts owed to related parties</u>
		€000	€000	€000	€000
<b>In respect of sales/ purchases from related party</b>					
<i>Entity with controlling interest in the Company</i>					
Zlatna Panega Cement AD	2011	319	3,183	-	2,694
Zlatna Panega Cement AD	2010	1,859	2,719	-	1,728
<i>Other related parties</i>					
Titan Beton and Aggregates Egypt LLC	2011	-	-	-	-
Titan Beton and Aggregates Egypt LLC	2010	231	-	-	-
Holcim karierni materiali AD	2011	-	568	-	60
Holcim karierni materiali AD	2010	-	360	-	115
Holcim karierni materiali Plovdiv AD	2011	-	206	-	11
Holcim karierni materiali Plovdiv AD	2010	-	39	-	2
	2011			<u>-</u>	<u>2,765</u>
	2010			<u>-</u>	<u>1,845</u>

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**19. Related party disclosures (continued)**

Loans due to related parties		<u>Interest expense</u>	<u>Amounts owed to related parties</u>
		€000	€000
<i>Entity with controlling interest in the Company</i>			
(1) Zlatna Panega Cement AD	2011	38	1,180
(1) Zlatna Panega Cement AD	2010	-	-
<i>Other related parties</i>			
(2) Gravel and Sand Pits Bulgaria AD	2011	32	905
(2) Gravel and Sand Pits Bulgaria AD	2010	-	-
	2011	<u>70</u>	<u>2,085</u>
	2010	<u>-</u>	<u>-</u>

As at 31 December 2011 included in the amounts owed to related parties in respect of loans is interest payable to Zlatna Panega Cement and Gravel and Sand Pits Bulgaria at the respective amount of EUR 4 thousand and EUR 3 thousand.

*(1) Zlatna Panega Cement AD*

During the year ending 31 December 2011, the Company was provided with a loan from its parent company Zlatna Panega Cement AD at the total amount of EUR 1,572 thousand. 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 the Company repaid EUR 396 thousand of the loan.

*(2) Gravel and Sand Pits Bulgaria AD*

In March 2011, the Company was provided with a loan from its related party Gravel and Sand Pits Bulgaria AD at the total amount of EUR 1,001 thousand. 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 the Company repaid EUR 99 thousand of the loan.

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

The sales and purchases from related parties are made at contracted prices. Outstanding balances at year-end are unsecured, interest free (except for loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

**Compensation of key management personnel**

	<u>2011</u>	<u>2010</u>
	€000	€000
Short-term employee benefits	92	90
	<u>92</u>	<u>90</u>

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**20. Commitments and contingencies**

**Capital commitments**

The Company has no capital commitments as of 31 December 2011.

**Guarantees**

The Company has provided no guarantees as of 31 December 2011.

As of 31 December 2010 the Company has provided a bank guarantee to Axiontek LTD at the amount of EUR 75 thousand in relation to the purchase of a concrete plant. The validity term of the bank guarantee was 31.01.2011.

**Finance lease commitments – Company as a lessee**

In 2010, the Company has entered into finance lease contract for a transport vehicle – 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 payments</u>	<u>2011 Present value of payments</u>	<u>Minimum payments</u>	<u>2010 Present value of payments</u>
	€000	€000	€000	€000
Within one year	84	71	84	66
After one year but not more than five years	161	151	245	222
Total minimum lease payments	245	222	329	288
Less amounts representing finance charges	(23)	-	(41)	-
<b>Present value of minimum lease payments</b>	<b>222</b>	<b>222</b>	<b>288</b>	<b>288</b>

**Operating lease commitments – Company as a lessee**

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

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

	<u>2011</u>	<u>2010</u>
	€000	€000
Within one year	61	59
After one year but not more than five years	95	124
	<b>156</b>	<b>183</b>

**Legal claims**

There are no significant legal claims against the entity.

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**20. Commitments and contingencies (continued)**

**Other**

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

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

The directors do not believe that, as of 31 December 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.

**21. Financial risk management objectives and policies**

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

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

*Interest rate risk*

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

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

	<u>Increase/ decrease in basis points</u>	<u>Effect on loss before tax</u>
		€000
<b>2011</b>		
Loans in BGN	+100	(70)
Loans in BGN	-100	70
<b>2010</b>		
Loans in BGN	+200	(97)
Loans in BGN	-100	48



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**21. Financial risk management objectives and policies (continued)**

*Liquidity risk*

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

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2011 and 31 December 2010 based on contractual undiscounted payments.

**As at 31 December 2011**

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	€000	€000	€000	€000	€000	€000
Interest bearing loans	-	4,931	-	-	-	4,931
Finance lease liabilities	-	21	63	161	-	245
Payables to related parties	2,555	2,295	-	-	-	4,850
Trade and other payables	-	406	69	-	-	475
	<b>2,555</b>	<b>7,653</b>	<b>132</b>	<b>161</b>	<b>-</b>	<b>10,501</b>

**As at 31 December 2010**

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
	€000	€000	€000	€000	€000	€000
Interest bearing loans	-	-	4,953	-	-	4,953
Finance lease liabilities	-	21	63	245	-	329
Payables to related parties	514	1,331	-	-	-	1,845
Trade and other payables	89	551	20	-	-	660
	<b>603</b>	<b>1,903</b>	<b>5,036</b>	<b>245</b>	<b>-</b>	<b>7,787</b>

*Foreign exchange risk*

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

*Credit risk*

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in note 13. As of 31 December 2011 49% of the total trade receivables (gross) of the Company are concentrated in two key customers. The credit risk is managed through regular contact with clients and ongoing monitoring of the overdue receivables.

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

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

For the year ended 31 December 2011

**21. Financial risk management objectives and policies (continued)**

*Capital management*

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

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

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

	<u>2011</u>	<u>2010</u>
	€000	€000
<b>EBITDA</b>	<u><u>(1,096)</u></u>	<u><u>(85)</u></u>

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

**22. Financial instruments**

**Fair values**

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

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

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

**23. Events after the reporting period**

After a cash contribution of EUR 4,857 thousand made by the sole owner, the issued capital of the Company was increased to EUR 8,421 thousand. The increase in the capital was registered in the trade register on 2 February 2012.

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