



ZLATNA PANEGA BETON EOOD

ANNUAL FINANCIAL STATEMENTS

31 December 2012

ZLATNA PANEGA BETON EOOD

Contents

General Information.....	i
Directors' Report	ii
Audit Report to the Sole Owner of Zlatna Panega Beton EOOD.....	i
Statement of Comprehensive Income	3
Balance Sheet	4
Statement of Changes in Equity	5
Statement of Cash Flows.....	6
Notes to the Financial Statements	
1. Corporate information.....	7
2.1. Basis of preparation	7
2.2. Summary of significant accounting policies.....	8
2.3 Changes in accounting policy and disclosures	16
3. Significant accounting judgements, estimates and assumptions	16
4. Standards issued but not yet effective and not early adopted	17
5. Expenses and other revenues.....	20
6. Income tax	23
7. Property, plant and equipment.....	25
8. Intangible assets.....	26
9. Other financial assets.....	26
10. Deferred expenses.....	26
11. Non-current assets held for sale.....	27
12. Inventories	27
13. Trade and other receivables.....	27
14. Cash and cash equivalents.....	28
15. Issued capital	28
16. Retirement benefits	29
17. Interest bearing loans	30
18. Trade and other payables.....	31
19. Related party disclosures	31
20. Commitments and contingencies.....	34
21. Financial risk management objectives and policies.....	35
22. Financial instruments.....	38
23. Events after the reporting period	38

ZLATNA PANEGA BETON EOOD

General Information

Directors

Boriana Yotzova – 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 2012

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 2012. 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 2012 was characterized by:

- Decreasing the sales of the Company in the sector under increasing competition. As a result of this the Company has sold 145 thousand cubic meters concrete.
- Sales of concrete to big investment projects in the country.

Share capital structure

Shareholders	Percentage	Number of shares (thousands)	Nominal value (EUR thousand)
Zlatna Panega Cement AD	100%	1,647	8,421

As at 31 December 2012 Zlatna Panega Beton EOOD has no subsidiaries or associates.

OBJECTIVES OF THE COMPANY FOR 2013

- 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 2012

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

Since 01 January 2013 the management of the Company consists of:

Boriana Yotzova – Executive Director
Biser Dosev – Procurator

The change in the key management personnel was registered with the Bulgarian Commercial Register on 9 January 2013.

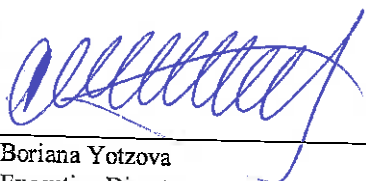
Directors' responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 31 December 2012.

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.


Boriana Yotzova
Executive Director
Zlatna Panega Beton EOOD
Sofia
4 March 2013



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 2012, 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 2012, 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"

4 March 2013

Sofia, Bulgaria

ZLATNA PANEGA BETON EOOD
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		€000	€000
Sales of goods		3,699	6,846
Rendering of services		632	1,185
Revenue		4,331	8,031
Cost of sales	5.1	(5,459)	(8,718)
Gross loss		(1,128)	(687)
Other income	5.7	72	25
Selling and distribution costs	5.2	(106)	(152)
Administrative expenses	5.3	(373)	(440)
Other expenses	5.4	(133)	(210)
Operating loss		(1,668)	(1,464)
Finance income	5.8	7	-
Finance costs	5.9	(241)	(312)
Loss before tax		(1,902)	(1,776)
Income tax	6	35	2
Loss for the year		(1,867)	(1,774)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(1,867)	(1,774)

Boriana Yotzova
Executive Director



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

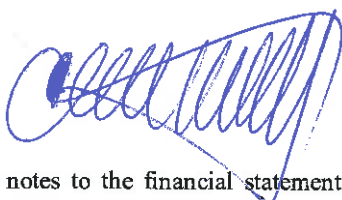
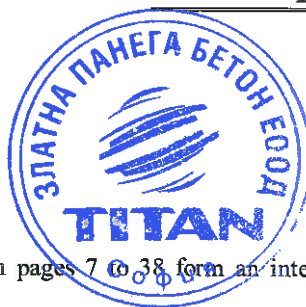
ZLATNA PANEGA BETON EOOD

BALANCE SHEET

As of 31 December 2012

	Notes	2012	2011
		€000	€000
ASSETS			
Non-current assets			
Property, plant and equipment	7	7,781	6,244
Intangible assets	8	37	44
Other financial assets	9	18	9
		<u>7,836</u>	<u>6,297</u>
Current assets			
Inventories	12	116	119
Trade and other receivables	13	3,197	3,401
Deferred expenses	10	8	44
Income tax receivables		25	29
Cash and cash equivalents	14	3	2
		<u>3,349</u>	<u>3,595</u>
Non-current assets held for sale	11	-	524
		<u>3,349</u>	<u>4,119</u>
TOTAL ASSETS		<u>11,185</u>	<u>10,416</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	15	8,421	3,564
Accumulated losses		(5,650)	(3,783)
Total equity		<u>2,771</u>	<u>(219)</u>
Non-current liabilities			
Finance lease liabilities	20	75	151
Retirement benefit liability	16	60	50
Deferred tax liability	6	5	40
		<u>140</u>	<u>241</u>
Current liabilities			
Interest bearing loans	17	4,605	4,931
Finance lease liabilities	20	82	71
Trade and other payables	18	564	475
Advances received		46	67
Payables to related parties	19	2,977	4,850
		<u>8,274</u>	<u>10,394</u>
Total liabilities		<u>8,414</u>	<u>10,635</u>
TOTAL EQUITY AND LIABILITIES		<u>11,185</u>	<u>10,416</u>

Boriana Yotzova
Executive Director

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

ZLATNA PANEGA BETON EOOD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Issued capital (note 15)	Accumulated losses	Total
	€000	€000	€000
At 1 January 2011	3,564	(2,009)	1,555
Loss for the year	-	(1,774)	(1,774)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(1,774)	(1,774)
At 31 December 2011	3,564	(3,783)	(219)
At 1 January 2012	3,564	(3,783)	(219)
Issue of share capital (note 15)	4,857	-	4,857
Loss for the year	-	(1,867)	(1,867)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(1,867)	(1,867)
At 31 December 2012	8,421	(5,650)	2,771

Boriana Yotzova
Executive Director



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

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

For the year ended 31 December 2012

	Notes	2012	2011
		€000	€000
OPERATING ACTIVITIES			
Loss before tax		(1,902)	(1,776)
Adjustments to reconcile loss before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	389	361
Amortisation of intangible assets	8	7	7
Gain on disposal of property, plant and equipment	5.7	(47)	-
Movement in doubtful debt allowance	5.4	89	81
Movement in retirement benefit liability		10	5
Interest income	5.8	(7)	-
Interest expense	5.9	221	301
Inventory shortage and scrap, net		2	75
Working capital adjustments:			
Decrease in inventories		1	11
Increase in trade and other receivables		(109)	(1,206)
(Decrease) / Increase in trade and other payables		(563)	737
Decrease in deferred expenses		36	80
Net cash flows used in operating activities		(1,873)	(1,324)
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		643	-
Purchase of property, plant and equipment		(1,765)	(458)
Loans granted to related parties		(511)	-
Loans repaid from related parties		511	-
Purchase of intangible assets		-	(16)
Interest received		1	-
Net cash flows used in investing activities		(1,121)	(474)
FINANCING ACTIVITIES			
Increase in capital		4,857	-
Proceeds from borrowings from banks		10,639	10,107
Repayment of borrowings to banks		(10,965)	(10,129)
Payment of finance lease liabilities		(77)	(66)
Proceeds from loans from related parties		-	2,573
Repayment of loans from related parties		(1,233)	(495)
Interest paid		(226)	(288)
Net cash flows from financing activities		2,995	1,702
Net increase / (decrease) in cash and cash equivalents		1	(96)
Cash and cash equivalents at 1 January		2	98
Cash and cash equivalents at 31 December		3	2

Boriana Yotzova
Executive Director



The accompanying notes to the financial statements on pages 13 to 14 form an integral part of these financial statements.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. Corporate information

The financial statements of Zlatna Panega Beton EOOD (the Company) for the year ended 31 December 2012 were authorized for issue by the Executive Director on 4 March 2013.

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 2012 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 4 March 2013.

Going concern

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

For the year ended 31 December 2012 the Company incurred net loss of EUR 1,867 thousand (2011: EUR 1,774 thousand) and its current liabilities exceed its current assets by EUR 4,925 thousand as of 31 December 2012 (2011: EUR 6,275 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 (92%) 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. 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. Further for the year ended 31 December 2012 the Company has been provided with binding letter of support from the parent company, stating that adequate funds and full support would be provided to enable the Company to continue operations at least until the next twelve-month period.

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

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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.

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 FOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 2012

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 liabilities depends on their classification as follows:

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains and losses are 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 FOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 FOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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 PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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 2012

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 2012:

- IAS 12 *Income Taxes (Amendment) - Recovery of Underlying Assets*
- IFRS 7 *Financial Instruments: Disclosures (Amendment)*
- IFRS 1 *First-time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

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

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 amendment has no effect on the financial position or performance of the Company.

IFRS 7 *Financial Instruments: Disclosures (Amendment)*

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 1 *Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendment)*

The amendment introduces a new deemed cost exemption for entities that have been subject to severe hyperinflation. When an entity's date of transition to IFRS is on, or after, the functional currency "normalisation" date, the entity may elect to measure all assets and liabilities, held before the functional currency "normalisation" date, at fair value on the date of transition to IFRS. Additionally, the IASB removed the legacy fixed dates included in IFRS 1 for derecognition and day one gain or loss transactions and replaced those dates with the date of transition to IFRS. As the Company is not a first time adopter, this amendment does not have an impact on its financial position or performance.

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.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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

Retirement benefits

The cost of retirement benefit plan is determined using actuarial valuation for the financial year 2012. 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 2012 is EUR 60 thousand (2011: EUR 50 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 2012 the best estimate of the impairment of receivables is EUR 252 thousand (2011: EUR 163 thousand). Further details are provided in note 13.

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.

IAS 19 *Employee Benefits (Revised)*

The revised standard 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. The Company is in the process of assessing the impact of these amendments on its financial position or performance.

IAS 27 *Separate Financial Statements (Revised)*

The revised standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. 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. The Company is in the process of assessing the impact of this Standard on its financial position or performance.

IAS 28 *Investments in Associates and Joint Ventures (Revised)*

The revised standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. 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. The Company is in the process of assessing the impact of this Standard on its financial position or performance.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

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 Company is in the process of assessing the impact of the amendment on its financial position or performance.

IFRS 1 *Government Loans - Amendments to IFRS 1*

The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has added an exception to the retrospective application of IFRS 9 *Financial Instruments* (or IAS 39 *Financial Instruments: Recognition and Measurement*, as applicable) and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* as regards measurement of government loans with a below market rate of interest. As the Company is not a first time adopter the amendment will not have an impact on its financial position or performance. This amendment has not yet been endorsed by the EU.

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. It requires an entity to disclose information about rights of set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in valuating the 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.

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 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, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. 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.

IFRS 11 *Joint Arrangements*

The new standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. IFRS 11 changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories - joint operation and joint venture. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed. The Company is in the process of assessing the impact of the new standard on its financial position or performance.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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

IFRS 12 *Disclosure of Interests in Other Entities*

The new standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. 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 and more extensive qualitative and quantitative disclosures are also required. The Company is in the process of assessing the impact of the new standard on its financial position or performance.

IFRS 13 *Fair Value Measurement*

The new standard, as endorsed by EU, is effective for annual periods beginning on or after 1 January 2014. 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. The Company is in the process of assessing the impact of the new standard on its financial position or performance.

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. The Company is in the process of assessing the impact of the new interpretation on its financial position or performance.

Improvements to IFRS – 2009 – 2011 Cycle

In the 2009-2011 annual improvements cycle, the IASB issued six amendments to five standards which are applicable to annual periods beginning on or after 1 January 2013. Summary of amendments and related standards are provided below:

- IFRS 1 First-time adoption of IFRS – repeated application of IFRS and borrowing cost exemption
- IAS 1 Presentation of Financial Statements – clarification on the requirements for comparative information
- IAS 16 Property, Plant and Equipment – classification of servicing equipment
- IAS 32 Financial Instruments: Presentation – Tax effects of distributions to holders of equity instruments
- IAS 34 Interim Financial Reporting – Interim financial reporting and segment information for total assets and liabilities

The Company is in the process of assessing the impact of the amendments on its financial statements. The Improvements to IFRS – 2009 – 2011 Cycle have not yet been endorsed by EU yet.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

5. Expenses and other revenues

5.1. Cost of sales

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Variable costs		
Cement	(1,818)	(3,126)
Aggregates	(1,232)	(2,110)
Freight	(417)	(827)
Additives	(179)	(491)
Front loader services	(103)	(221)
Fuel and oil	(92)	(179)
Repair and maintenance	(92)	(55)
Electricity	(44)	(65)
Other variable costs	(63)	(84)
Fixed costs		
Plant salaries, wages and related expenses	(384)	(497)
Depreciation	(377)	(347)
Operating expenses for mobile plants	(123)	(144)
Contract labour	(119)	(67)
Security	(112)	(112)
Repair and maintenance cost	(52)	(72)
Insurance and taxes	(36)	(56)
Fuel	(35)	(27)
Concrete pumps rent	(13)	(64)
Plant utilities	(12)	(22)
Amortization	(7)	(7)
Other fixed costs	(149)	(145)
	<u>(5,459)</u>	<u>(8,718)</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

5. Expenses and other revenues (continued)

5.2. Selling and distribution costs

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Salaries and related expenses	(55)	(91)
Fuel	(18)	(20)
Transport vehicle rent	(12)	(6)
Travel - entertainment	(4)	(3)
Litigation charges	(1)	(16)
Advertising and promotion	(1)	(3)
Other distribution costs	(15)	(13)
	<u>(106)</u>	<u>(152)</u>

5.3. Administrative expenses

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Salaries and related expenses	(191)	(176)
Car expenses	(41)	(82)
Insurance and taxes	(22)	(30)
Consultancy fees	(21)	(27)
Repair and maintenance	(21)	(4)
Travel - entertainment	(15)	(20)
Depreciation	(12)	(14)
Telecommunications	(5)	(20)
Supplies	(4)	(7)
Audit fees	(4)	(4)
Other	(37)	(56)
	<u>(373)</u>	<u>(440)</u>

5.4. Other expenses

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Impairment of trade receivables, net (note 13)	(89)	(81)
Staff leaving indemnities	(29)	(10)
Retirement benefit charges (note 16)	(8)	(9)
Shortage and scrap of assets, net	(2)	(75)
Other	(5)	(35)
	<u>(133)</u>	<u>(210)</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

5. Expenses and other revenues (continued)

5.5. Expenses by nature

	<u>2012</u>	<u>2011</u>
	€000	€000
Materials used and recognized as an expense	(3,647)	(6,245)
Hired services	(1,060)	(1,628)
Depreciation (note 7)	(389)	(361)
Amortization (note 8)	(7)	(7)
Employee benefits expense (note 5.6)	(638)	(773)
Other	(330)	(506)
Total cost of sales, selling and distribution, administrative and other expenses	<u><u>(6,071)</u></u>	<u><u>(9,520)</u></u>

5.6. Employee benefits expense

	<u>2012</u>	<u>2011</u>
	€000	€000
Wages and salaries	(514)	(634)
Social security costs	(90)	(113)
Retirement benefits (note 16)	(8)	(9)
Other related expenses	(26)	(17)
	<u><u>(638)</u></u>	<u><u>(773)</u></u>

5.7. Other income

	<u>2012</u>	<u>2011</u>
	€000	€000
Profit from sales of tangible assets incl. non-current assets held for sale	47	-
Rental income	10	24
Net movement in unused paid leave	2	1
Other	13	-
	<u><u>72</u></u>	<u><u>25</u></u>

5.8. Finance income

	<u>2012</u>	<u>2011</u>
	€000	€000
Effect from discounting of receivables	6	-
Interest on loans provided to related parties (note 19)	1	-
	<u><u>7</u></u>	<u><u>-</u></u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

5. Expenses and other revenues (continued)

5.9. Finance costs

	<u>2012</u>	<u>2011</u>
	€000	€000
Interest on bank loans and overdrafts	(173)	(207)
Interest on loans from related parties (note 19)	(35)	(70)
Interest under finance leases	(13)	(18)
Effect from discounting of receivables	-	(6)
Other expenses and fees	(18)	(11)
Other finance costs (note 16)	(2)	-
	<u>(241)</u>	<u>(312)</u>

6. Income tax

The major components of income tax benefit for year ended 31 December 2012 and 2011 are:

	<u>2012</u>	<u>2011</u>
	€000	€000
Current income tax charge	-	-
Deferred tax benefit	35	2
Income tax benefit reported in the statement of comprehensive income	<u>35</u>	<u>2</u>

In 2012 the nominal statutory tax rate is 10% (2011: 10%). In 2013 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 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
	€000	€000
Accounting loss before income tax	(1,902)	(1,776)
Income tax benefit at statutory tax rate of 10 % for 2012 (2011: 10%)	190	178
Expenses not deductible for tax purposes	(3)	(11)
Tax losses for which no deferred income tax asset was recognized	(152)	(165)
Income tax benefit	<u>35</u>	<u>2</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

6. Income tax (continued)

Deferred income tax at 31 December relates to the following:

	Balance sheet		Statement of comprehensive income	
	2012	2011	2012	2011
	€000	€000	€000	€000
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	(38)	(63)	25	(6)
<i>Deferred tax asset</i>				
Unused leave allowance	2	2	-	-
Retirement benefits	6	5	1	-
Doubtful debt allowance	25	16	9	8
	33	23		
Deferred tax benefit			35	2
Deferred tax liability, net	(5)	(40)		

The Company has incurred tax losses as follows:

Tax period	Period for utilization of tax losses carried forward	2012	2011
		€000	€000
2012	2013 through 2017	1,516	-
2011	2012 through 2016	1,647	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
		5,484	3,998
Applicable tax rate		10%	10%
Unrecognized deferred tax asset		548	400

Tax losses incurred are available for offset against future taxable profits within five-year period. 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 2012.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

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
Cost:						
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)
At 31 December 2011	2,441	4,965	2,783	351	184	10,724
At 1 January 2012	2,441	4,965	2,783	351	184	10,724
Additions	533	420	618	21	406	1,998
Transfers	-	13	-	-	(13)	-
Disposals	-	-	(439)	(3)	-	(442)
At 31 December 2012	2,974	5,398	2,962	369	577	12,280
Depreciation:						
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)
At 31 December 2011	541	2,036	1,740	163	-	4,480
At 1 January 2012	541	2,036	1,740	163	-	4,480
Depreciation charge for the year	30	240	89	30	-	389
Disposals	-	-	(367)	(3)	-	(370)
At 31 December 2012	571	2,276	1,462	190	-	4,499
Net book value:						
At 1 January 2011	1,929	2,684	1,331	130	512	6,586
At 31 December 2011	1,900	2,929	1,043	188	184	6,244
At 31 December 2012	2,403	3,122	1,500	179	577	7,781

Finance leases and assets under construction

The carrying value of vehicles held under finance lease as at 31 December 2012 was EUR 312 thousand (2011: EUR 329 thousand).

Assets under construction include mainly uncompleted ready-mix plants in Stara Zagora, Sofia and Pazardzhik. Due to the adverse effect of the financial crisis on the industry, the management decided to postpone their completion to 2013, following the instructions from the ultimate parent company.

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 recognized at 31 December 2012. (2011: Nil).

ZLATNA PANEGA BETON FOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

8. Intangible assets

	Licenses	Computer software	Total
Cost:	€000	€000	€000
At 1 January 2011	56	70	126
Additions	-	16	16
At 31 December 2011	56	86	142
At 1 January 2012	56	86	142
At 31 December 2012	56	86	142
Amortisation:			
At 1 January 2011	21	70	91
Amortisation charge for the year	6	1	7
At 31 December 2011	27	71	98
At 1 January 2012	27	71	98
Amortisation charge for the year	4	3	7
At 31 December 2012	31	74	105
Net book value:			
At 1 January 2011	35	-	35
At 31 December 2011	29	15	44
At 31 December 2012	25	12	37

Impairment of intangible assets

The management of the Company has carried out a review for existence of impairment indicators at 31 December 2012. 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 (2011: Nil).

9. Other financial assets

	2012	2011
	€000	€000
Operating lease deposits – non-current portion	18	9
	18	9

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

10. Deferred expenses

	2012	2011
	€000	€000
Operating expenses for mobile plants	-	33
Other deferred expenses	8	11
	8	44

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

10. Deferred expenses (continued)

During 2012 the Company has incurred expenses at the total amount of EUR 66 thousand (2011: EUR 39 thousand) in relation to the installation and dismantling of mobile concrete plants at the sites of construction projects. Such expenses are deferred and recognized on a straight line basis until the end terms of the contracts with the respective contractors. During the current period EUR 99 thousand of installation expenses were recognized in the statement of comprehensive income (2011: EUR 108 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. Following this decision, 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. The sale was completed in January 2012.

12. Inventories

	<u>2012</u>	<u>2011</u>
	€000	€000
Raw materials (at cost)	101	86
Spare parts and supplies	15	33
	<u>116</u>	<u>119</u>

13. Trade and other receivables

	<u>2012</u>	<u>2011</u>
	€000	€000
Trade receivables	2,895	3,209
Receivables under court procedure	447	343
Less: Doubtful debt allowance	(252)	(163)
Trade receivables, net	3,090	3,389
Deposits – current portion	16	12
VAT receivables	91	-
Trade and other receivables, net	<u>3,197</u>	<u>3,401</u>

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

As at 31 December 2012 trade receivables at nominal value of EUR 323 thousand (2011: EUR 193 thousand) were provided for impairment following receivable collectability analysis performed by the Company's management.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

13. Trade and other receivables (continued)

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

	<u>Allowance for individually impaired receivables</u>
	€000
At 1 January 2011	82
Charge for the year (Note 5.4)	81
At 31 December 2011	163
At 1 January 2012	163
Charge for the year (Note 5.4)	124
Reversal of provision from prior years (Note 5.4)	(35)
At 31 December 2012	252

The aging analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
	€000	€000	€000	€000	€000	€000	€000
2012	3,019	852	449	209	151	109	1,249
2011	3,359	1,287	414	229	147	293	989

14. Cash and cash equivalents

	<u>2012</u>	<u>2011</u>
	€000	€000
Cash in hand	2	1
Cash at bank	1	1
	3	2

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

15. Issued capital

	<u>2012</u>	<u>2011</u>
	€000	€000
Shares of EUR 5 each, as per court registration	8,421	3,564
	8,421	3,564

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

15. Issued capital (continued)

	<u>Number of shares (thousands)</u>	<u>Authorized capital</u>
		€000
At 1 January 2011	697	3,564
At 1 January 2012	697	3,564
Issued on 2 February 2012	950	4,857
At 31 December 2012	<u>1,647</u>	<u>8,421</u>

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 and was registered with the Bulgarian Commercial Register on 2 February 2012.

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>2012</u>	<u>2011</u>
	€000	€000
Current service cost (note 5.6)	(8)	(9)
Net actuarial gain recognized during the year	-	1
Interest cost (note 5.9)	(2)	(1)
Net benefit expense recognized in the statement of comprehensive income	<u>(10)</u>	<u>(9)</u>

Benefit liability

	<u>2012</u>	<u>2011</u>
	€000	€000
Present value of defined benefit obligation	47	37
Unrecognized actuarial gain	13	13
Benefit liability recognized in the balance sheet	<u>60</u>	<u>50</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

16. Retirement benefits (continued)

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

	<u>Amount</u>
	<u>€000</u>
Retirement benefit obligation at 1 January 2011	38
Interest cost	1
Current service cost	9
Payment of benefits during the year	(4)
Actuarial gain for the period	(7)
Retirement benefit obligation at 31 December 2011	37
Interest cost	2
Current service cost	8
Retirement benefit obligation at 31 December 2012	47

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

	<u>2012</u>	<u>2011</u>
Discount rate	3.80%	5.60%
Future salary increases	3.6% - 4.0%	2.7% - 5.6%

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Retirement benefit obligation	60	50	45	35	31

17. Interest bearing loans

	<u>Interest rate %</u>	<u>Maturity</u>	<u>2012</u>	<u>2011</u>
Current			<u>€000</u>	<u>€000</u>
Overdraft facility with limit of BGN 10,000 thousand	1M Sofibor plus a spread	31.03.2013	4,605	4,931
			<u>4,605</u>	<u>4,931</u>

Overdraft facility is concluded 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 December 2012, the Company has available EUR 508 thousand (2011: EUR 182 thousand) undrawn funds under the above overdraft facility.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

18. Trade and other payables

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Trade payables to domestic suppliers	458	336
Trade payables to foreign suppliers	<u>29</u>	<u>4</u>
Trade payables	487	340
Payables to employees	23	38
Unused paid leave	17	19
Accrued liabilities for dismantling of mobile plants	-	36
Social security	10	13
Payroll taxes	4	4
VAT payable	-	16
Other payables	<u>23</u>	<u>9</u>
	<u>564</u>	<u>475</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 were related to the exploitation of leased and owned mobile plants that are 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.

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.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

19. Related party disclosures (continued)

Other related parties (continued)

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 the 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
In respect of sales to/ purchases from related party					
<i>Entity with controlling interest in the Company</i>					
Zlatna Panega Cement AD	2012	-	2,822	-	2,047
Zlatna Panega Cement AD	2011	319	3,183	-	2,694
<i>Other related parties</i>					
Titan Beton and Aggregates Egypt LLC	2012	643	-	-	-
Titan Beton and Aggregates Egypt LLC	2011	-	-	-	-
Holcim karierni materiali AD	2012	-	338	-	70
Holcim karierni materiali AD	2011	-	568	-	60
Holcim karierni materiali Plovdiv AD	2012	-	126	-	13
Holcim karierni materiali Plovdiv AD	2011	-	206	-	11
	2012			<u>-</u>	<u>2,130</u>
	2011			<u>-</u>	<u>2,765</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

19. Related party disclosures (continued)

Loans due to related parties		Interest	Interest	Amounts owed
		income	expense	to related parties
		€000	€000	€000
<i>Entity with controlling interest in the Company</i>				
(1) Zlatna Panega Cement AD	2012	1	5	
(1) Zlatna Panega Cement AD	2011	-	38	1,180
<i>Other related parties</i>				
(2) Gravel and Sand Pits Bulgaria EAD	2012	-	30	847
(2) Gravel and Sand Pits Bulgaria EAD	2011	-	32	905
	2012	<u>1</u>	<u>35</u>	<u>847</u>
	2011	<u>-</u>	<u>70</u>	<u>2,085</u>

As at 31 December 2012 included in the amounts owed to related parties in respect of loans is interest payable to Gravel and Sand Pits Bulgaria at the amount of EUR 2 thousand (2011: interest payable to Zlatna Panega Cement and Gravel and Sand Pits Bulgaria at the respective amount of EUR 4 thousand and EUR 3 thousand).

Loans owed to related parties

(1) Zlatna Panega Cement AD

In 2011 the Company was provided with an unsecured loan from its parent company Zlatna Panega Cement AD at the total amount of EUR 1,572 thousand. It was intended to finance the working capital needs of the Company. Interest was charged at 1M Sofibor rate plus spread of 2.30%. EUR 396 thousand of the loan was repaid during 2011. In February 2012, Zlatna Panega Beton EOOD repaid the remaining part of the loan.

(2) Gravel and Sand Pits Bulgaria AD

In March 2011, the Company was provided with an unsecured 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. In 2012 the loan was prolonged with one more year. Interest is charged at 1M Sofibor rate plus spread of 2.30%. During the year the Company repaid EUR 57 thousand of the loan.

Loans owed from related parties

Zlatna Panega Cement AD

In July 2012 the Company provided a loan to Zlatna Panega Cement AD at the total amount of EUR 511 thousand. The loan was repaid in August 2012. Interest was charged at 1M Sofibor rate plus spread of 3%.

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.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

19. Related party disclosures (continued)

Compensation of key management personnel

	<u>2012</u>	<u>2011</u>
	€000	€000
Short-term employee benefits	88	92
Termination benefit	17	-
	<u>105</u>	<u>92</u>

20. Commitments and contingencies

Capital commitments

The Company has no capital commitments as of 31 December 2012.

Guarantees

The Company has provided no guarantees as of 31 December 2012.

Finance lease commitments – Company as a lessee

In 2010, the Company has entered into finance lease contract for a transport vehicle – concrete pump. In 2012, Zlatna Panega Beton EOOD has signed another finance lease agreement – for equipment for active water supply.

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>2012 Present value of payments</u>	<u>Minimum payments</u>	<u>2011 Present value of payments</u>
	€000	€000	€000	€000
Within one year	84	82	84	71
After one year but not more than five years	<u>77</u>	<u>75</u>	<u>161</u>	<u>151</u>
Total minimum lease payments	161	157	245	222
Less amounts representing finance charges	<u>(4)</u>	<u>-</u>	<u>(23)</u>	<u>-</u>
Present value of minimum lease payments	<u>157</u>	<u>157</u>	<u>222</u>	<u>222</u>

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.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

20. Commitments and contingencies (continued)

Operating lease commitments – Company as a lessee (continued)

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

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Within one year	77	61
After one year but not more than five years	77	95
	<u>154</u>	<u>156</u>

Legal claims

There are no significant legal claims against the entity.

Other

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

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

The directors do not believe that, as of 31 December 2012, 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.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2012

21. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

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
2012		
Loans in BGN	+100	(55)
Loans in BGN	-100	55
2011		
Loans in BGN	+100	(70)
Loans in BGN	-100	70

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 2012 and 31 December 2011 based on contractual undiscounted payments.

As at 31 December 2012

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
	€000	€000	€000	€000	€000	€000
Interest bearing loans	-	4,605	-	-	-	4,605
Finance lease liabilities	-	21	63	77	-	161
Payables to related parties	2,047	930	-	-	-	2,977
Trade and other payables	-	547	17	-	-	564
	<u>2,047</u>	<u>6,103</u>	<u>80</u>	<u>77</u>	<u>-</u>	<u>8,307</u>

As at 31 December 2011

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
	€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
	<u>2,555</u>	<u>7,653</u>	<u>132</u>	<u>161</u>	<u>-</u>	<u>10,501</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

21. Financial risk management objectives and policies (continued)

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 2012 48% of the total trade receivables (gross) of the Company are concentrated in three 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.

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 year ended 31 December 2012 and 2011.

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

	<u>2012</u>	<u>2011</u>
	€000	€000
EBITDA	<u>(1,272)</u>	<u>(1,096)</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.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2012

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, 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

On 9 January 2013, the Company appointed a new Chief Executive Officer, Mrs. Boriana Yotzova, who replaced Mr. Manousos Petrakakis.

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