



ZLATNA PANEGA CEMENT AD

**ANNUAL SEPARATE
FINANCIAL STATEMENTS**
31 December 2012

ZLATNA PANEGA CEMENT AD

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ZLATNA PANEGA CEMENT AD

General Information

Directors

Alexandar Nakov Chakmakov
Michalis Sigalas
Konstantinos Derdemezis
Fokion Tasoulas
Evstratios Voulgaridis

Registered office

Zlatna Panega Village, Lovech District,
No 2 Shipka Street

Solicitors

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

Bankers

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

Auditors

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

ZLATNA PANEGA CEMENT AD

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 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

The Company is registered in the Republic of Bulgaria. The principal activity of the Company includes production and sales of cement.

BUSINESS DESCRIPTION

Current period results

The results of the current year are considered as positive since the profit before tax of the Company amounted to EUR 74 thousand. During the period the Company sold 457 thousand tons of cement (2011: 550 thousand tons) and 148 thousand tons of clinker (2011: zero tons).

Dividends and distribution of profits

At the General Meeting of Shareholders held on 15 May 2012, a decision was taken not to distribute dividends (2011: EUR 12,008 thousand).

Share capital structure

Shareholders	Percentage	Number of shares (thousands)	Nominal value (EUR thousands)
REA Cement Limited, Cyprus	99.99	32,169,338	16,448
Individuals and State of Bulgaria	0.01	3,689	2

Investments

As at 31 December 2012 Zlatna Panega Cement AD holds interests in the following subsidiaries and associates:

The Company is 100% owner of Zlatna Panega Beton EOOD, Gravel and Sand Pits Bulgaria EAD ("GSPB"), Eco Conception EOOD and Geospan EDOO, Macedonia. These investments are carried at cost as at 31 December 2012. Through GSPB, the Company has an interest of 48.77% in the capital of Holcim Karierni Materiali AD, a 48.72% interest in Holcim Karierni Materiali Plovdiv AD and a 100% interest in Double V Co Ltd., Ruse.

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

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

In 2010 the Company incorporated a new subsidiary Geospan EDOO, Macedonia. 100 % of the share capital of the subsidiary is owned by Zlatna Panega Cement AD. This company is in process of liquidation and the share capital was repaid to Zlatna Panega Cement AD at the end of the year.

In addition, the Company has an 8% participation in Granitoid AD (the majority shares of which are owned by REA Cement Limited).

ZLATNA PANEGA CEMENT AD
DIRECTORS' REPORT

For the year ended 31 December 2012

OBJECTIVES OF THE COMPANY FOR 2013

The Directors are set to achieve the following objectives for 2013:

- Increase of the effectiveness of industrial performance;
- Keeping of the market position in the conditions of extremely decreased construction market;
- Decrease of the variable and the fixed costs of the Company;
- Increase the usage of alternative fuels.

We look optimistically at the future of Zlatna Panega Cement AD and believe that if management exercises proper control over the business, this will lead to quality improvement and stability of the Company.

CORPORATE GOVERNANCE

The Company is constituted as a joint stock company in compliance with the Commercial Law of the Republic of Bulgaria and has a one-tier system of governance.

As at 31 December 2012 the Board of Directors consists of:

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

Alexander Nakov Chakmakov is the Company's Executive Director.

Directors' responsibilities

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

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

Alexandar Chakmakov
Executive director

Zlatna Panega Cement AD
Zlatna Panega

4 March 2013



Independent auditors' report

To the shareholders of

Zlatna Panega Cement AD

Report on the separate financial statements

We have audited the accompanying separate financial statements of Zlatna Panega Cement AD, which comprise the separate balance sheet as of 31 December 2012, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the separate financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the separate financial statements give a true and fair view of the financial position of Zlatna Panega Cement AD as of 31 December 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 CEMENT AD
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	<u>Notes</u>	<u>2012</u>	<u>2011</u>
		€000	€000
Sale of cement products		28,362	31,048
Rendering of transport services		7,452	4,745
Revenue		35,814	35,793
Cost of sales	5.1	(29,391)	(14,922)
Gross profit		6,423	20,871
Other income	5.7	415	781
Selling and distribution costs	5.2	(588)	(542)
Administrative expenses	5.3	(3,670)	(3,591)
Other expenses	5.4	(1,112)	(651)
Operating profit		1,468	16,868
Finance income	5.8	46	107
Finance costs	5.9	(1,440)	(1,878)
Profit before tax		74	15,097
Income tax income/ (expense)	6	463	(1,520)
Profit for the year		537	13,577
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		537	13,577

Chief Executive Officer
Alexander Chakmakov



The accompanying notes to the financial statements on pages 7 to 44 form an integral part of these financial statements.

ZLATNA PANEGA CEMENT AD
SEPARATE BALANCE SHEET
As of 31 December 2012

	Notes	2012	2011
		€000	€000
ASSETS			
Non-current assets			
Property, plant and equipment	7	73,320	76,846
Investment property	8	56	1,721
Intangible assets	9	146	56
Investments in subsidiaries	10.1	8,493	3,711
Available-for-sale investments	10.2	21	21
Long-term receivables	14	-	20
Other financial assets	11	78	71
		82,114	82,446
Current assets			
Inventories	13	9,308	7,755
Trade and other receivables	14	8,783	8,188
Receivables from related parties	23	2,251	3,930
Prepayments	15	160	205
Income tax receivables		176	-
Cash and short-term deposits	16	430	5,022
		21,108	25,100
Non-current assets held for sale	12	668	1,898
		21,776	26,998
TOTAL ASSETS		103,890	109,444
EQUITY AND LIABILITIES			
Equity			
Issued capital	17.1	28,602	28,602
Legal reserve	17.2	1,645	1,645
Retained earnings		43,777	43,240
Total equity		74,024	73,487
Non-current liabilities			
Interest-bearing loans to banks	18	17,621	-
Finance lease liabilities	25	70	133
Restoration provision	19	2,170	1,894
Retirement benefit liability	20	295	262
Deferred tax liability	6	686	1,205
Other financial liabilities	21	-	82
		20,842	3,576
Current liabilities			
Trade and other payables	22	3,421	2,745
Finance lease liabilities	25	64	79
Interest-bearing loans to banks	18	5,511	29,129
Payables to related parties	23	28	22
Income tax payable		-	19
Other financial liabilities	21	-	387
		9,024	32,381
Total liabilities		29,866	35,957
TOTAL EQUITY AND LIABILITIES		103,890	109,444

Chief Executive Officer
Alexander Chakmakov

The accompanying notes to the financial statements on pages 7 to 44 form an integral part of these financial statements.



ZLATNA PANEGA CEMENT AD
SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2012

	Issued capital (note 17.1)	Legal reserve (note 17.2)	Retained earnings	Total
	€000	€000	€000	€000
At 1 January 2011	28,602	1,645	41,671	71,918
Profit for the year	-	-	13,577	13,577
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	13,577	13,577
Distribution of dividends (note 24)	-	-	(12,008)	(12,008)
At 31 December 2011	28,602	1,645	43,240	73,487
At 1 January 2012	28,602	1,645	43,240	73,487
Profit for the year	-	-	537	537
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	537	537
At 31 December 2012	28,602	1,645	43,777	74,024

Chief Executive Officer
Alexander Chakmakov



The accompanying notes to the financial statements on pages 7 to 44 form an integral part of these financial statements.

ZLATNA PANEGA CEMENT AD
SEPARATE CASH FLOW STATEMENT

For the year ended 31 December 2012

	Notes	2012	2011
		€000	€000
OPERATING ACTIVITIES			
Profit before tax		74	15,097
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	6,868	7,134
Amortisation of intangible assets	9	42	39
Gain on disposal of property, plant and equipment	5.7	(1)	(160)
Movement in doubtful debt allowance	14	314	550
Movement in restoration provision	19	276	312
Movement in employee benefit liability	20	33	9
Losses from fair value adjustments to investment properties	8	14	-
Impairment loss to fair value less costs to sell	12	17	11
impairment of intangible asset - CO ₂ emission rights	5.4	486	-
Other non-cash flows from operating activities		22	-
Interest income	5.8	(46)	(107)
Interest expense	5.9	1,034	1,050
Working capital adjustments:			
(Increase) / Decrease in inventories		(1,553)	14
Increase in trade and other receivables		(704)	(2,289)
Decrease in prepayments		17	8
Decrease / (Increase) in other financial assets		13	(6)
Increase in trade and other payables		1,329	88
Income tax (paid) / received		(251)	511
Decrease in other financial liabilities		(492)	(85)
Net cash flows from operating activities		7,492	22,176
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		1,374	253
Purchase of property, plant and equipment		(2,182)	(9,621)
Purchase of intangible assets		(618)	(1)
Increase in capital of subsidiaries		(4,857)	(23)
Return of capital from subsidiaries		75	-
Loans granted to related parties		(5)	(1,579)
Loans repaid from related parties		1,176	396
Interest received		28	35
Net cash flows used in investing activities		(5,009)	(10,540)
FINANCING ACTIVITIES			
Proceeds from interest-bearing loans		42,825	47,999
Repayment of interest-bearing loans		(48,778)	(40,566)
Payments of finance lease liabilities		(78)	(267)
Proceeds from loans from related parties		511	-
Repayment of loans from related parties		(511)	(1,031)
Interest paid		(1,044)	(996)
Dividends paid	24	-	(12,008)
Net cash flows used in financing activities		(7,075)	(6,869)
Net (decrease) / increase in cash and cash equivalents		(4,592)	4,767
Cash and cash equivalents at 1 January		5,022	255
Cash and cash equivalents at 31 December	16	430	5,022

Chief Executive Officer
 Alexander Chakmakov

The accompanying notes to the financial statements on pages 7 to 44 form an integral part of these financial statements.



ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. Corporate information

The annual separate financial statements of Zlatna Panega Cement AD (the Company) for the year ended 31 December 2012 were authorized for issue in accordance with a resolution of the Board of Directors on 4 March 2013.

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

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

As of 31 December 2012 the Company was owned by:

- REA Cement Limited, Cyprus 99.99 %
- Individuals of the State of Bulgaria 0.01 %

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

2.1. Basis of preparation

The financial statements have been prepared on a historical cost basis except for investment properties which are stated at fair value. They are presented in Euros (EUR) and all values are rounded to the nearest thousand (EUR thousand) except when otherwise indicated.

Statement of compliance

The financial statements of Zlatna Panega Cement AD have been prepared in accordance with International Financial Reporting Standards, as adopted for use in the European Union.

The preparation of these financial statements of the Company is required by the ultimate parent company for its consolidation. Therefore, these are the separate financial statements of Zlatna Panega Cement AD where the investments in subsidiaries are accounted for at cost. The Company meets the exemption criteria under IAS 27 Consolidated and Separate Financial Statements, for not preparing and presenting consolidated financial statements, which are as follows:

- The shareholders of the Company have been informed about and do not object to Zlatna Panega Cement AD not presenting consolidated financial statements;
- The Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- The Company did not file, nor is in the process of filing, its financial statements with a securities commission or other regulatory organisations for the purpose of issuing any class of instruments in a public market; and
- The ultimate parent company, Titan Cement Company S.A., Greece, prepares and presents consolidated financial statements available for public use that comply with IFRS. These consolidated financial statements are obtainable on the internet address <http://www.titan.gr>. The address of the registered office of Titan Cement Company S.A. is 22 A Halkidos Str., 111 43 Athens, Greece.

The Company has presented a separate set of statutory financial statements in Bulgarian, expressed in Bulgarian leva, in accordance with IFRS, as adopted for use in the EU. The statutory financial statements were authorized for issue by the Board of Directors on 4 March 2013.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE 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 services is recognised over the period during which the service is performed.

Interest income

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

Dividend income

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

c) Taxes

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Tax reliefs are accounted for as a decrease in the income tax expense for the period.

2.2. Summary of significant accounting policies (continued)

c) Taxes (continued)

Deferred income tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

Value added tax

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

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

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

2.2. Summary of significant accounting policies (continued)

d) Financial instruments - initial recognition and subsequent measurement

- **Financial assets**

Initial recognition and measurement

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

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

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

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

Subsequent measurement

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost (according to IAS 27 Consolidated and separate financial statements) in these separate financial statements. Further details are given in Note 2.1 above and Note 10.1.

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other categories. The Company has an available-for-sale investment in equity shares (Note 10.2). As these shares do not have a quoted market price in an active market and their fair value cannot be reliably measured, they are measured at cost.

2.2. Summary of significant accounting policies (continued)

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

- Financial assets (continued)

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.

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.

2.2. Summary of significant accounting policies (continued)

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

- **Financial assets (continued)**

Impairment of financial assets (continued)

Financial Assets carried at amortised cost (continued)

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 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 Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the statement of comprehensive income.

Available-for-sale financial investments

If there is objective evidence that an impairment loss has been incurred on the unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the amount that would be expected to be recovered from it, if reliably measured. The amount of the loss is recognised in profit or loss. Such impairment losses are not reversed.

- **Financial liabilities**

Initial recognition

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

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

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

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

2.2. Summary of significant accounting policies (continued)

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

- **Financial liabilities (continued)**

Subsequent measurement (continued)

Interest bearing loans and borrowings

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

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Other non-interest bearing financial liabilities

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

Derecognition

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

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

e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

f) Fair value of financial instruments

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

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

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 27.

g) Issued capital

Issued capital represents the par value of shares issued and paid by the shareholders adjusted with the effect of hyperinflation as disclosed in Note 17.1. Any proceeds in excess of par value are recorded in share premium.

h) Non-current assets held for sale

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

2.2. Summary of significant accounting policies (continued)

i) Property, plant and equipment

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

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

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

Spare parts

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

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

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

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

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

j) Leases

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

Company as a lessee

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

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

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

2.2. Summary of significant accounting policies (continued)

j) Leases (continued)

Company as a lessor

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

k) Investment properties

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

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

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

l) Borrowing costs

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

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

m) Intangible assets

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

The useful lives of intangible assets are assessed to be finite, as follows:

Concession rights	20 years
Licences	10 years
Computer software	10 years

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

2.2. Summary of significant accounting policies (continued)

m) Intangible assets (continued)

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

n) Inventories

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

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

Raw materials	– Purchase cost on a weighted average basis;
Finished goods and work in progress	– cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs

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

o) Impairment of non-financial assets

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

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

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

2.2. Summary of significant accounting policies (continued)

p) Cash and cash equivalents

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

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above.

q) Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restoration provision

In accordance with the quarry concession agreement, the Company is obliged to restore the surface of the quarry upon the cessation of its use. The provision arising during the period reflects the additional amount that would be needed to restore the surface of the quarry that has been excavated during the period. Restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the restoration liability. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as a finance cost. The estimated future costs of restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are recognised in the statement of comprehensive income.

r) Retirement benefits

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

The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, the retirement plan, past service cost is recognised immediately. The defined benefit liability comprises the present value of the defined benefit obligation less past service cost not yet recognised.

s) CO₂ emission rights

Emission rights are accounted under the net liability method, based on which the Company recognizes such a liability from the point when the emissions made are in excess of the allowances allocated. The liability to deliver allowances is measured at fair value (market price) of the emission rights as of year end.

Emission rights acquired in excess of those required to cover its shortages are recognized as an intangible asset, at cost. The intangible asset is not amortized and is subject to an annual impairment test (note 2.2 m).

Gains from sale of emission rights are presented as reduction of Cost of sales in the Statement of comprehensive income, in the period in which they arise, net of the cost of additionally purchased emission rights surrendered.

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.

Reclassifications

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

- net income from transactions with emission rights of EUR 15,931 thousand as of 31 December 2011 was presented within Cost of sales compared to prior period when it was presented within Other income

3. Significant accounting judgments, estimates and assumptions

In preparing the separate 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 separate financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted for in the period the changes become known.

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

Restoration provision

The Company recognizes a provision for quarry restoration. This requires the management to make estimates about the cost of materials, labour, third party services and other expenses necessary for the restoration activities. The estimation of these future costs is complex and requires management to make estimates and judgments because the obligation will be fulfilled in the future and the related contract and laws are often not clear regarding what is required. Furthermore, the resulting provision is further influenced by the changing technologies and, environmental, safety, business, political and statutory considerations. At 31 December 2012 the best estimate of the restoration provision was EUR 2,170 thousand (2011: EUR 1,894 thousand). Further details are provided in Note 19 to the financial statements.

Retirement benefits

The retirement benefit obligation is determined using actuarial valuation for 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 295 thousand (2011: EUR 262 thousand). Further details are provided in Note 20 to the financial statements.

Useful lives of property plant and equipment, and intangible assets

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

Impairment of receivables

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful receivables, management bases its estimates on the ageing of accounts receivable, balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. At 31 December 2012 the best estimate of the allowance for impairment of receivables is EUR 1,695 thousand (2011: EUR 1,381 thousand). Further details are provided in Note 14.

Investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of comprehensive income. The investment properties have been fair valued by accredited external valuer based on income or market approach. Further details are provided in Note 8.

Non-current assets held for sale

The Company values its non-current assets held for sale at the lower of carrying amount and fair value less costs to sell. The Company has engaged an independent appraiser to perform a fair valuation of the properties, based on the market approach. Further details are provided in Note 12.

CO₂ emission rights

Emission rights acquired in excess of those required to cover its shortages are recognized as an intangible asset, at cost. They are tested for impairment annually by comparing its carrying amount with its recoverable amount. Following an annual impairment testing of CO₂ emission rights, an impairment charge of EUR 486 thousand was recognised as of 31 December 2012 (2011: Nil). Further details are provided in Note 9.

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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.

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.

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

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.

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.

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

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.

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5. Expenses and other revenues

5.1 Cost of sales

	<u>2012</u>	<u>2011</u>
	€000	€000
Variable costs		
Kiln fuel	(7,834)	(6,665)
Distribution expenses – freight	(7,652)	(4,751)
Electricity	(3,785)	(3,065)
Raw materials	(2,355)	(2,428)
Fuel and oil	(428)	(414)
Refractory	(115)	(599)
Grinding media	(30)	(15)
Other expenses	(541)	(355)
Fixed costs		
Depreciation	(6,520)	(6,808)
Plant salaries, wages and related expenses	(1,845)	(1,841)
Packaging costs (including related staff cost)	(1,124)	(1,150)
Other fixed costs	(911)	(1,092)
Contract labour	(850)	(721)
Repair and maintenance – spare parts	(685)	(752)
Insurance and taxes	(162)	(133)
Plant utilities	(109)	(120)
Amortization	(14)	(33)
Lining	(3)	(16)
Inventory change	1,201	105
Net income from transactions with emission rights	4,371	15,931
	<u>(29,391)</u>	<u>(14,922)</u>

Net income from transactions with emission rights

	<u>2012</u>	<u>2011</u>
	€000	€000
Income from sale of emission rights	5,992	15,931
Costs of purchasing additional rights surrendered to cover excess emissions	(1,599)	-
Provision for emissions in excess of emission rights granted	(22)	-
	<u>4,371</u>	<u>15,931</u>

5.2 Selling and distribution costs

	<u>2012</u>	<u>2011</u>
	€000	€000
Salaries and related expenses	(290)	(314)
Third party fees	(95)	(39)
Car related expenses	(90)	(71)
Advertising and promotion	(40)	(41)
Insurance and taxes	(21)	(21)
Travel - entertainment	(20)	(17)
Utilities	(13)	(13)
Other	(19)	(26)
	<u>(588)</u>	<u>(542)</u>

ZLATNA PANEGA CEMENT AD
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5. Expenses and other revenues (continued)

5.3 Administrative expenses

	<u>2012</u>	<u>2011</u>
	€000	€000
Salaries and related expenses	(1,520)	(1,449)
Security	(457)	(440)
Depreciation	(348)	(326)
Car related expenses	(193)	(165)
Utilities	(186)	(152)
Consultancy fees	(174)	(218)
Donations	(152)	(68)
Insurance and taxes	(128)	(139)
Travel – entertainment	(86)	(84)
Audit fees	(56)	(66)
Amortization	(28)	(6)
Repairs and maintenance	(1)	(8)
Other	(341)	(470)
	<u>(3,670)</u>	<u>(3,591)</u>

5.4 Other expenses

	<u>2012</u>	<u>2011</u>
	€000	€000
Impairment of Intangible asset - CO ₂ emission rights (note 9)	(486)	-
Impairment of trade receivables (note 14)	(361)	(239)
Cost of goods, materials and scrap sold	(85)	(199)
Staff leaving indemnities	(42)	(88)
Retirement benefit charge (note 20)	(21)	(20)
Expenses for canteen	(30)	(2)
Impairment loss to fair value less cost to sell (note 12)	(17)	(11)
Losses from fair value adjustments to investment properties (note 8)	(14)	-
Write off of materials	(11)	(38)
Expenses pertaining to disposal of property, plant and equipment	(7)	(19)
Expenses for demolition	-	(30)
Restoration provision (note 19)	-	(2)
Other	(38)	(3)
	<u>(1,112)</u>	<u>(651)</u>

5.5 Expenses by nature

	<u>2012</u>	<u>2011</u>
	€000	€000
Materials used and recognised as an expense	(16,826)	(15,245)
Hired services	(11,660)	(8,600)
Depreciation (note 7)	(6,868)	(7,134)
Employee benefits expense (note 5.6)	(3,896)	(3,905)
Amortisation (note 9)	(42)	(39)
Change in work in progress and finished goods	1,201	105
Other	(1,041)	(819)
Net income from transactions with emission rights	4,371	15,931
Total cost of sales, selling and distribution, administrative and other expenses	<u>(34,761)</u>	<u>(19,706)</u>

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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5. Expenses and other revenues (continued)

5.6 Employee benefits expense

	<u>2012</u>	<u>2011</u>
	€000	€000
Wages and salaries	(2,797)	(2,806)
Social security costs	(496)	(507)
Retirement benefits (note 20)	(21)	(20)
Other related expenses	(582)	(572)
	<u>(3,896)</u>	<u>(3,905)</u>

5.7 Other income

	<u>2012</u>	<u>2011</u>
	€000	€000
Sale of scrap and materials	197	291
Refund of excise	60	67
Rendering of other services	44	70
Sale of goods and rent of offices	34	76
Reversal of impairment of receivables (note 14)	30	62
Net movement in unused paid leave (note 22)	6	25
Profit on disposal of fixed assets	1	160
Other	43	30
	<u>415</u>	<u>781</u>

5.8 Finance income

	<u>2012</u>	<u>2011</u>
	€000	€000
Bank accounts	19	2
Effect from discounting of trade receivables	18	63
Loans provided to related parties (note 23)	9	42
	<u>46</u>	<u>107</u>

5.9 Finance costs

	<u>2012</u>	<u>2011</u>
	€000	€000
Interest expenses:		
Bank loans and overdrafts	(1,005)	(1,054)
Capitalized borrowing costs	-	83
Loans received from related parties (note 23)	(1)	(13)
Interest expense on finance lease	(5)	(49)
Impairment of receivables to amortized cost (note 14)	-	(429)
Effect from discounting of restoration provision (note 19)	(276)	(310)
Effect from discounting of other financial liabilities	(23)	(17)
Foreign exchange losses, net	(32)	(17)
Fee expense	(86)	(66)
Other finance costs (note 20)	(12)	(6)
	<u>(1,440)</u>	<u>(1,878)</u>

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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5. Expenses and other revenues (continued)

5.6 Employee benefits expense

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Wages and salaries	(2,797)	(2,806)
Social security costs	(496)	(507)
Retirement benefits (note 20)	(21)	(20)
Other related expenses	(582)	(572)
	<u>(3,896)</u>	<u>(3,905)</u>

5.7 Other income

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Sale of scrap and materials	197	291
Refund of excise	60	67
Rendering of other services	44	70
Sale of goods and rent of offices	34	76
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Profit on disposal of fixed assets	1	160
Other	43	30
	<u>415</u>	<u>781</u>

5.8 Finance income

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Bank accounts	19	2
Effect from discounting of trade receivables	18	63
Loans provided to related parties (note 23)	9	42
	<u>46</u>	<u>107</u>

5.9 Finance costs

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Interest expenses:		
Bank loans and overdrafts	(1,005)	(1,054)
Capitalized borrowing costs	-	83
Loans received from related parties (note 23)	(1)	(13)
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Impairment of receivables to amortized cost (note 14)	-	(429)
Effect from discounting of restoration provision (note 19)	(276)	(310)
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Foreign exchange losses, net	(32)	(17)
Fee expense	(86)	(66)
Other finance costs (note 20)	(12)	(6)
	<u>(1,440)</u>	<u>(1,878)</u>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS
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6. Income tax

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

	<u>2012</u>	<u>2011</u>
Current income tax charge	€000	€000
Deferred income tax income / (expense)	(56)	(23)
	<u>519</u>	<u>(1,497)</u>
Income tax income / (expense) reported in the statement of comprehensive income	<u>463</u>	<u>(1,520)</u>

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

Reconciliation between income tax income / (expense) and the product of accounting profit multiplied by the statutory tax rate for the year ended 31 December 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Accounting profit before income tax	€000	€000
Income tax expense at statutory tax rate of 10% for 2012 (2011: 10%)	74	15,097
Expenses not deductible for tax purposes	(7)	(1,510)
Tax relief recognized in tax return	(21)	(13)
Other	491	-
	<u>-</u>	<u>3</u>
Income tax income / (expense)	<u>463</u>	<u>(1,520)</u>

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

- the taxable person carries out manufacturing activities solely in municipalities where the rate of unemployment for the year preceding the current year is by 35% or more higher than the average for Bulgaria for the same period;
- additional requirements, the most important of which are as follows:
 - the income tax holiday should be invested in property, plant and equipment and intangible assets, part of an initial capital expenditure plan;
 - the initial investment (i.e. qualifying capital expenditure projects) should be made within four years following the beginning of the year for which the income tax relief is claimed;
 - the initial investment must be made in municipalities where the rate of unemployment for the year of tax holiday claim is by 35% or more higher than the average for Bulgaria for the same period;
 - the activity, related to the initial investment, should continue to be performed in the respective municipality for a period of at least five years after the year of completion of the initial investment; this circumstance shall be declared annually in the annual tax returns until the lapse of a five-year period;
 - at least 25% of the value of the property, plant and equipment and intangible assets, forming part of the initial investment, should be self-financed or debt-financed by the taxable person;
 - the income tax relief should not exceed 50% of the present value of the property, plant and equipment, included in the initial investment plan, determined as at 31 December of the year of the tax holiday.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2012

6. Income tax (continued)

As of 31 December 2012 the Company considers that it is eligible for the following tax relieves as all the above mentioned requirements of CITA are considered satisfied:

- EUR 4,010 thousand related to qualifying capital expenditure project "Vertical Cement Mill" (with total budgeted amount of EUR 10,000 thousand) declared in 2007 annual tax return. This tax relief was recognised as a reduction of current income tax expense in the statement of comprehensive income for the financial year 2008.
- EUR 1,331 thousand related to qualifying capital expenditure project "Raw Material silos" (with total budgeted amount of EUR 3,000 thousand) which was declared in 2008 annual tax return. This tax relief was recognised as a reduction of current income tax expense in the statement of comprehensive income for the financial year 2008.
- EUR 141 thousand related to qualifying capital expenditure project "Tyres feeding installation for Kiln 5" (with total budgeted amount of EUR 300 thousand) which was declared in 2009 annual tax return. This tax relief was recognised as a reduction of current income tax expense in the statement of comprehensive income for the financial year 2009.
- EUR 2,309 thousand related to qualifying capital expenditure project "RDF Installation" (with total budgeted amount of EUR 4,793 thousand) which was declared in 2010 annual tax return. The Company recognized EUR 846 thousand of this tax relief as a reduction of current income tax expense in the statement of comprehensive income for the financial year 2010 (up to the amount of the tax payable on the 2010 tax profit). As at 31 December 2010 the Company recognised deferred tax asset on the unused tax holiday at the amount of EUR 1,463 thousand. In 2011 the Company utilized EUR 1,463 thousand of this tax relief, leading to a decrease of the recognised deferred tax asset on the unused tax holiday to nil as at 31 December 2011 and 31 December 2012.
- EUR 491 thousand related to qualifying capital expenditure project SNCR installation that will be carried out in 2013 with total budgeted amount of EUR 1,000 thousand.

Deferred income tax at 31 December 2012 and 31 December 2011 relates to the following:

	Balance Sheet		Statement of comprehensive income	
	31 December 2012	31 December 2011	2012	2011
	€000	€000	€000	€000
<i>Deferred tax liability</i>				
Accelerated depreciation for tax purposes	1,167	1,572	405	(119)
	1,167	1,572		
<i>Deferred tax asset</i>				
Unused leave allowance	(13)	(14)	(1)	(2)
Restoration provision	(217)	(189)	28	31
Retirement benefits	(29)	(26)	3	1
Impairment of receivables	(169)	(138)	31	55
Impairment loss to fair value less costs to sell	(2)	-	2	-
Impairment of Intangible assets- CO ₂ emission rights	(49)	-	49	-
Other	(2)	-	2	-
Unused tax credit	-	-	-	(1,463)
	(481)	(367)		
Deferred tax income / (expense)			519	(1,497)
Deferred tax liability, net	686	1,205		

ZLATNA PANEGA CEMENT AD
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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	13,955	76,622	4,713	1,333	13,803	110,426
Additions	200	1,334	71	6	8,272	9,883
Transfers	1,238	10,535	470	126	(12,369)	-
Transfers to non-current assets held for sale (note 12)	-	(1,129)	-	-	-	(1,129)
Disposals	(22)	(320)	(71)	(19)	-	(432)
At 31 December 2011	15,371	87,042	5,183	1,446	9,706	118,748
At 1 January 2012	15,371	87,042	5,183	1,446	9,706	118,748
Additions	91	750	-	79	612	1,532
Transfers	36	627	96	-	(759)	-
Transfers from investment properties (note 8)	1,807	-	-	-	-	1,807
Transfers from non-current assets held for sale (note 12)	-	415	-	-	-	415
Disposals	(19)	(539)	(126)	(51)	-	(735)
At 31 December 2012	17,286	88,295	5,153	1,474	9,559	121,767
Depreciation:						
At 1 January 2011	2,355	29,232	2,544	1,076	-	35,207
Depreciation charge for the year	463	6,148	404	119	-	7,134
Transfers to non-current assets held for sale (note 12)	-	(100)	-	-	-	(100)
Disposals	(15)	(238)	(71)	(15)	-	(339)
At 31 December 2011	2,803	35,042	2,877	1,180	-	41,902
At 1 January 2012	2,803	35,042	2,877	1,180	-	41,902
Depreciation charge for the year	552	5,823	397	96	-	6,868
Transfers from non-current assets held for sale (note 12)	-	19	-	-	-	19
Disposals	(15)	(194)	(82)	(51)	-	(342)
At 31 December 2012	3,340	40,690	3,192	1,225	-	48,447
Net book value:						
At 1 January 2011	11,600	47,390	2,169	257	13,803	75,219
At 31 December 2011	12,568	52,000	2,306	266	9,706	76,846
At 31 December 2012	13,946	47,605	1,961	249	9,559	73,320

As at 31 December 2012 major spare parts of EUR 1,223 thousand are included in Plant and machinery. They are not available for use and therefore not depreciated.

The net book value of plant and machinery acquired through finance lease as of 31 December 2012 is EUR 376 thousand.

Assets under construction

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

Impairment of property, plant and equipment

Based on the review for impairment of the tangible fixed assets, the Company's management has not found indicators that the book value of the assets exceeds their recoverable amount. Therefore, no impairment of property, plant and equipment has been recognised at 31 December 2012 (2011: Nil).

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7. Property, plant and equipment (continued)

Effective 1 January 2012 the Company reestimated the useful life of certain machineries. The effect from the change in the current year is as follows:

Depreciation expense before the change – EUR 44 thousand
Depreciation expense after the change – EUR 246 thousand
Effect – EUR 202 thousand

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

8. Investment property

	2012	2011
	€000	€000
At 1 January	1,721	1,494
Additions	98	517
Transfers from non-current assets held for sale (note 12)	58	(290)
Transfers to PPE (Note 7)	(1,807)	-
Loss from fair value adjustments (note 5.4)	(14)	-
At 31 December	56	1,721

The Company reclassified an investment property building located on Cherni Vruh Boulevard No 33E with fair value EUR 1,807 thousand to PPE as it intends to use it for its administrative purposes. An apartment located in Loven park area in Sofia with fair value EUR 58 thousand was reclassified from non-current assets held for sale to investment property as the intentions of the company are to rent it to its related party entity GAEA – Bulgaria EAD.

The Company engaged an accredited external valuer to fair value its investment property. The effective date of the valuation was 14 December 2012 and the appraiser confirmed that it is still valid as of 31 December 2012. The property with fair value as of 31 December 2012 of EUR 56 thousand was valued under the market comparables method and the residual value method (income approach). The results determined under the two methods were weighted as the market comparables method was given an 80% and the residual value method – 20%. Under the market comparables method actual transaction prices and ask prices were used. They were adjusted to reflect the differences between the subject of valuation and the comparables – such as location, size, accessibility, infrastructure.

9. Intangible assets

	Concession rights	Licences	Computer software	Other	Total
	€000	€000	€000	€000	€000
Cost:					
At 1 January 2011	41	137	186	-	364
Additions	-	1	-	-	1
At 31 December 2011	41	138	186	-	365
At 1 January 2012	41	138	186	-	365
Additions	-	107	-	511	618
Disposals	-	(133)	-	-	(133)
At 31 December 2012	41	112	186	511	850
Amortisation and impairment:					
At 1 January 2011	27	137	106	-	270
Amortisation charge for the year	2	-	37	-	39
At 31 December 2011	29	137	143	-	309
At 1 January 2012	29	137	143	-	309
Amortisation charge for the year	2	22	18	-	42
Disposals	-	(133)	-	-	(133)
Impairment	-	-	-	486	486
At 31 December 2012	31	26	161	486	704
Net book value:					
At 1 January 2011	14	-	80	-	94
At 31 December 2011	12	1	43	-	56
At 31 December 2012	10	86	25	25	146

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9. Intangible assets (continued)

Other intangibles consist of the balance of the purchased emission rights at the amount of EUR 511 thousand impaired to EUR 25 thousand as of 31 December 2012.

Impairment of intangible assets

Following an annual impairment testing of CO₂ emission rights, an impairment charge of EUR 486 thousand was recognised as of 31 December 2012 (2011: Nil) (note 5.4).

10. Investments

10.1 Investments in subsidiaries

	Country of incorporation	% equity interest	
		2012	2011
Zlatna Panega Beton EOOD	Bulgaria	100%	100%
Gravel and Sand Pits – Bulgaria EAD	Bulgaria	100%	100%
Eco Conception EOOD	Bulgaria	100%	100%
Geospan EDOO	Macedonia	100%	100%

The investments in subsidiaries are measured at cost as follows:

	2012	2011
	€000	€000
Zlatna Panega Beton EOOD	8,421	3,564
Gravel and Sand Pits Bulgaria EAD	69	69
Eco Conception EOOD	3	3
Geospan EDOO	-	75
	8,493	3,711

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

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

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

In November 2012 the Board of Directors took a decision to liquidate the subsidiary Geospan EDOO. The share capital EUR 75 thousand was fully repaid to Zlatna Panega Cement AD in December 2012. The legal procedures for the deregistration of the Company from the Companies register of Republic of Macedonia will be completed in 2013.

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

10.2 Available-for-sale investments

The Company has an 8% participation in Granitoid AD, the majority shareholder of which is REA Cement Limited. Granitoid AD is a joint stock company, incorporated in Bulgaria. The equity shares are measured at cost because they do not have a quoted market price in an active market and their fair value cannot be reliably measured. The cost of the available-for-sale investment is EUR 21 thousand as of 31 December 2012 and 31 December 2011.

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11. Other financial assets

In accordance with the quarry concession agreement, the Company is obliged to maintain a deposit equal to 10% of the amount of the average three-month excavated material, during the concession period (20 years). As of 31 December 2012 the amount deposited and restricted for this purpose is EUR 78 thousand (2011: EUR 71 thousand). It earns interest at 2.5% per annum.

12. Non-current assets held for sale

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
At 1 January	1,898	307
Additions	221	283
Disposals	(980)	-
Transfers from property, plant and equipment (note 7)	-	1,029
Transfers to property, plant and equipment (note 7)	(396)	-
Transfers from investment property (note 8)	-	290
Transfers to investment property (note 8)	(58)	-
Impairment loss to fair value less costs to sell (note 5.4)	(17)	(11)
At 31 December	<u>668</u>	<u>1,898</u>

As of 31 December 2012 non-current assets held for sale at the amount of EUR 668 thousand comprise of unzoned land located in Sofia, a shop (Sofia), one apartment in Sofia, land plot in Malinova Dolina (Sofia) and two apartments in Sunny Beach.

Non-current assets held for sale are valued at lower of carrying amount and fair value less costs to sale. The Company has engaged an independent appraiser to perform a fair valuation of the properties. The effective date of the valuations was 14 December 2012 and the appraiser confirmed that they were valid and as of 31 December 2012. The fair value was determined by the accredited external valuer using the market approach and the depreciated replacement cost method – the two values were weighted as the market approach was assigned 80% weight and the income approach – 20%. Under the market approach, the Appraiser used ask prices and adjusted them to reflect the differences in comparison to the valued property (such as location, accessibility, infrastructure, construction potential). In addition the Appraiser applied an ask price discount of 5%-10%

13. Inventories

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Spare parts	4,970	4,855
Raw materials	1,810	1,511
Work in progress	1,469	434
Finished goods	708	623
Packaging materials	351	332
	<u>9,308</u>	<u>7,755</u>

ZLATNA PANEGA CEMENT AD
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14. Trade and other receivables

	<u>2012</u>	<u>2011</u>
	€000	€000
Trade receivables	7,473	6,508
Receivables under court procedure	2,872	2,753
Less: Provision for impairment	(1,695)	(1,381)
Trade receivables, net	8,650	7,880
Other receivables	133	308
Trade and other receivables, net	8,783	8,188

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

As at 31 December 2012, trade receivables at nominal value of EUR 2,421 thousand (2011: EUR 1,805 thousand) were impaired following receivable collectability analysis performed by the Company's management.

As at 31 December 2012, following an analysis on the ageing of receivables and the experienced delinquency in counterparties' payments, the management recognized additional impairment loss on receivables to amortized cost of EUR 429 thousand (2011: EUR 429 thousand). The impairment loss is calculated based on the expected repayment dates and the original effective interest rate estimated at 10.3%.

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

	<u>Individually impaired receivables</u>
	€000
At 1 January 2011	831
Impairment of receivables to amortized cost (note 5.9)	429
Charge for the period (note 5.4)	239
Utilized	(56)
Unused amounts reversed (note 5.7)	(62)
At 31 December 2011	1,381
At 1 January 2012	1,381
Charge for the period (note 5.4)	361
Utilized	(17)
Unused amounts reversed (note 5.7)	(30)
At 31 December 2012	1,695

The ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	61-90 days	91-120 days	>120 days
	€000	€000	€000	€000	€000	€000	€000
31 December 2012	7,924	949	2,711	768	530	361	2,605
31 December 2011	7,456	1,158	751	687	520	282	4,058

Long-term receivables

As at 31 December 2012 the Company does not report long-term portion of receivables (2011: EUR 20 thousand). Long term receivables were non-interest bearing and were related to sale of cement to various clients. Receivables were to be settled under repayment schedules agreed with respective clients. The maturity term of those receivables varied from 1 to 2 years. Long term receivables were presented at the present value of the expected future cash flows discounted at a discount rate of 10.3% per annum.

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15. Prepayments

	<u>2012</u>	<u>2011</u>
	€000	€000
Prepayments to third parties	160	205
	<u>160</u>	<u>205</u>

16. Cash and short-term deposits

	<u>2012</u>	<u>2011</u>
	€000	€000
Cash at bank	421	260
Cash in hand	9	7
Short-term deposits with banks	-	4,755
	<u>430</u>	<u>5,022</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2012 the fair value of cash and short-term deposits is EUR 430 thousand (2011: EUR 5,022 thousand).

17. Issued capital and reserves

17.1 Issued capital

	<u>2012</u>	<u>2011</u>
	€000	€000
Ordinary shares of EUR 0.51 each, as per court registration	16,450	16,450
Hyperinflation adjustment	12,152	12,152
	<u>28,602</u>	<u>28,602</u>

In the period 1990-1997 the Bulgarian economy has experienced hyperinflation. According to IAS 29 Financial Reporting in Hyperinflationary Economies in such circumstances the Company has to hyper-inflate the amounts in its financial statements and to use them as a basis for the carrying amounts in its subsequent financial statements. The amount of EUR 12,152 thousand represents the effect of hyperinflation in the share capital from its nominal and legally registered value of EUR 16,450 thousand to EUR 28,602 thousand. The hyperinflation is performed using the movement in the exchange rate between Bulgarian Lev and German Mark (DEM) as the most representative and reasonable measure of inflation during that period.

	<u>Number of ordinary shares (thousands)</u>	<u>Authorised capital</u>
At 1 January 2011	32,173	16,450
At 1 January 2012	<u>32,173</u>	<u>16,450</u>
At 31 December 2012	32,173	16,450

All ordinary shares issued were fully paid.

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17. Issued capital and reserves (continued)

17.2 Reserves

Legal reserve

Legal reserves are formed as per article 246 of the Bulgarian Commercial Act stipulating reserve requirements for joint stock companies such as Zlatna Panega Cement AD. Legal reserves are required to equal one-tenth of the authorised capital. The source of the legal reserves comes from not less than one-tenth of earnings, premiums on share or debenture issues and other sources established by the articles of association of a company or the general meeting of its shareholders. The legal reserves can only be used to offset current year and prior year losses.

18. Interest-bearing loans to banks

	<u>Interest rate %</u>	<u>Maturity</u>	<u>2012</u>	<u>2011</u>
Current			€000	€000
(1) Overdraft facility with limit of BGN 10,000 thousand	1M Sofibor + spread	15 July 2012	-	4,455
(2) Overdraft facility with limit of BGN 14,000 thousand (2011: BGN 15,000 thousand)	1M Sofibor + spread	15 December 2013	5,511	7,664
(3) Overdraft facility with limit of BGN 13,691 thousand (2011: BGN 9,779 thousand): short-term portion	3M Sofibor + spread	31 January 2013 for BGN 9,779 thousand, 31 July 2012 for BGN 3,912 thousand	-	4,739
(4) Long-term bullet loan with maturity of 3 years with total limit of BGN 24,000 thousand for working capital needs and capital expenditure: short-term portion	1M Sofibor + spread	28 February 2015	-	12,271
			<u>5,511</u>	<u>29,129</u>
Non-Current	<u>Interest rate %</u>	<u>Maturity</u>	<u>2012</u>	<u>2011</u>
(3) Long-term revolving credit facility with maturity of 2 years with total limit of BGN 12,556 thousand: long-term portion	3M Sofibor + spread	31 December 2014	5,394	-
(4) Long-term bullet loan with maturity of 3 years with total limit of BGN 24,000 thousand for working capital needs and capital expenditure: long-term portion	1M Sofibor + spread	28 February 2015	12,271	-
Amortized cost adjustment (negative)			(44)	-
			<u>17,621</u>	<u>-</u>

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18. Interest-bearing loans to banks (continued)

Interest-bearing loans are secured by Corporate Guarantee issued by Titan Cement S.A.

As at 31 December 2012, the Company has available EUR 2,673 thousand (2011: EUR 726 thousand) of undrawn committed and uncommitted borrowing facilities in respect of which all precedent conditions had been met.

19. Restoration provision

	<u>Restoration provision</u>
	€000
At 1 January 2011	1,582
Arising during the period (note 5.4)	2
Discount rate adjustment and imputed interest (note 5.9)	310
At 31 December 2011	1,894
At 1 January 2012	1,894
Arising during the period (note 5.4)	-
Discount rate adjustment and imputed interest (note 5.9)	276
At 31 December 2012	2,170

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

20. Retirement benefits

According to the Bulgarian labour legislation and Company's collective labour agreement, Zlatna Panega Cement AD, as an employer is obliged to pay five or nine gross monthly salaries to its employees upon retirement, depending on the length of their service. If an employee has worked for the same employer for 10 years, the retirement benefit amounts to nine gross monthly salaries upon retirement (six gross monthly salaries as per Bulgarian labour legislation, plus three additional gross monthly salaries in accordance with the Company's Collective Labour Agreement), otherwise - five gross monthly salaries (two gross monthly salaries as per Bulgarian labour legislation, plus three additional gross monthly salaries in accordance with the Company's Collective Labour Agreement). The retirement benefits are unfunded.

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

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

Net benefits expense

	2012	2011
	<u>€000</u>	<u>€000</u>
Current service cost (note 5.4)	21	20
Interest cost (note 5.9)	10	12
Net actuarial loss/ (gain) recognised during the year (note 5.9)	2	(6)
Net benefit expense recognised in the statement of comprehensive income	33	26

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20. Retirement benefits (continued)

Benefit liability

	2012	2011
	€000	€000
Present value of retirement benefit obligation	302	273
Unrecognised actuarial losses	(7)	(11)
Benefit liability recognised in the balance sheet	295	262

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

	Amount
	€000
Retirement benefit obligation at 1 January 2011	215
Interest cost	12
Current service cost	20
Benefits paid	(17)
Actuarial losses on obligation	43
Retirement benefit obligation at 31 December 2011	273
Interest cost	10
Current service cost	21
Benefits paid	-
Actuarial gains on obligation	(2)
Retirement benefit obligation at 31 December 2012	302

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

	2012	2011
Discount rate	3.8 %	5.6 %
Future salary increases	4.0 %	5.8 %

Amounts for the year ended 31 December 2012 and previous four annual periods are as follows:

	2012	2011	2010	2009	2008
	€000	€000	€000	€000	€000
Present value of retirement benefit obligation	302	273	215	233	244
Experience adjustments on plan liabilities	(2)	43	(45)	(8)	7

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21. Other financial liabilities

	<u>2012</u>	<u>2011</u>
	€000	€000
<i>Non-current</i>		
Retentions	-	82
	<u>-</u>	<u>82</u>
<i>Current</i>		
Retentions	-	387
	<u>-</u>	<u>387</u>

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

As of 31 December 2012 the Company has repaid to the respective counterparties all retained amounts as guarantee for qualitative fulfillment of contractual obligations by subcontractors.

22. Trade and other payables

	<u>2012</u>	<u>2011</u>
	€000	€000
Trade payables from domestic suppliers	1,795	1,676
Trade payables from foreign suppliers	140	438
Trade payables	<u>1,935</u>	<u>2,114</u>
Customer prepayments and other accruals	938	199
Unused paid leave	131	137
Social security	50	55
Payroll taxes	19	20
V.A.T payable	185	82
Other taxes	18	14
Insurance premium payable	22	18
Other payables	<u>123</u>	<u>106</u>
	<u>3,421</u>	<u>2,745</u>

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

- Trade payables are non-interest bearing and are normally settled on 1-90 day terms;
- Tax payables are non-interest bearing and are settled according to the legal deadlines;
- Other payables are non-interest bearing and have an average term of 15 days.

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23. Related party disclosures

The ultimate parent

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

Entity with controlling interest in the Company

The Company is controlled by REA Cement Limited, Cyprus, holding 99.99% of its shares. The remaining 0.01% of the shares are held by individuals of the State of Bulgaria.

Subsidiaries

Zlatna Panega Beton EOOD, Geospan EDOO, Macedonia, Eco Conception EOOD and Gravel and Sand Pits – Bulgaria EAD (“GSPB”) are wholly-owned subsidiaries of the Company. Zlatna Panega Cement AD has also control over Double V Co, Ruse, Bulgaria, which is wholly owned by GSPB.

Associates

Zlatna Panega Cement AD has a significant influence over Holcim Karierni Materiali AD, with interest of 48.77% and in Holcim Karierni Materiali Plovdiv AD, with interest 48.72% through its wholly-owned subsidiary Gravel and Sand Pits – Bulgaria EAD. During 2010 Holcim Karierni Materiali AD acquired 100% of Vris OOD. As a result of the transaction, Zlatna Panega Cement has a significant influence with interest of 48.77% in Vris OOD, through its subsidiary Gravel and Sand Pits – Bulgaria EAD.

Other related parties

Granitoid AD, Cementarnica Usje AD, Cementarnica Kosjerich, Antea Cement SHA, Shar Beteiligung, Beni Suef Cement Co, Adocim Cemento Beton, GAEA – Green Alternative Energy Assets EAD and Zlatna Panega Cement AD are related parties because they are under the common control of Titan Cement Company SA (the ultimate parent).

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23. Related party disclosures (continued)

The following table provides the total amount of transactions, which have been entered into with related parties during 2012 and 2011 as well as balances with related parties as of 31 December 2012 and 31 December 2011:

		Sales to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
		€000	€000	€000	€000
In respect of sales / purchases from related parties					
<i>Ultimate parent company</i>					
Titan Cement Company S.A.	2012	42	857	-	19
Titan Cement Company S.A.	2011	-	224	-	20
<i>Subsidiaries</i>					
Zlatna Panega Beton EOOD	2012	2,822	-	2,047	-
Zlatna Panega Beton EOOD	2011	3,183	319	2,694	-
<i>Other related parties</i>					
Cementarnica Usje AD	2012	1	-	2	-
Cementarnica Usje AD	2011	79	-	2	-
Cementarnica Kosjerich	2012	146	-	140	-
Cementarnica Kosjerich	2011	11	-	-	-
Shar Beteiligung	2012	110	-	-	-
Shar Beteiligung	2011	304	-	-	-
Antea Cement SHA	2012	3	-	-	-
Antea Cement SHA	2011	17	-	-	-
Adocim Cemento Beton	2012	-	-	1	-
Adocim Cemento Beton	2011	-	-	-	-
Beni Suef Cement Co	2012	-	-	-	2
Beni Suef Cement Co	2011	-	-	-	8
GAEA – Green Alternative Energy	2012	4	75	-	-
Assets EAD		-	-	-	-
GAEA – Green Alternative Energy	2011	-	-	-	-
Assets EAD		-	-	-	1
Double V Co	2012	-	1	-	-
Double V Co	2011	-	-	-	-
	2012	-	-	<u>2,189</u>	<u>28</u>
	2011	-	-	<u>2,697</u>	<u>22</u>

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23. Related party disclosures (continued)

		Interest income	Interest expense	Amounts owed from related parties	Amounts owed to related parties
		€000	€000	€000	€000
In respect of loans from / to related parties					
<i>Subsidiaries</i>					
Zlatna Panega Beton EOOD	2012	5	1	-	-
Zlatna Panega Beton EOOD	2011	38	-	1,180	-
Gravel and Sand Pits EAD	2012	-	-	-	-
Gravel and Sand Pits EAD	2011	-	13	-	-
<i>Other related parties</i>					
Granitoid AD	2012	4	-	62	-
Granitoid AD	2011	4	-	53	-
	2012			<u>62</u>	<u>-</u>
	2011			<u>1,233</u>	<u>-</u>

As at 31 December 2012 included in the amounts owed from related parties in respect of loans granted is interest receivable from Granitoid at the respective amount of EUR 10 thousand (2011: EUR 6 thousand and interest receivable from Zlatna Panega Beton of EUR 4 thousand).

Loans owed from related parties

Zlatna Panega Beton EOOD

In 2011 Zlatna Panega Cement AD granted a loan to Zlatna Panega Beton EOOD at the total amount of EUR 1,572 thousand. It was intended to finance the working capital needs of the subsidiary. The loan was unsecured and was repayable in March 2012. 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

Granitoid AD

As of 31 December 2012 Zlatna Panega Cement AD has borrowed to Granitoid AD the amount of EUR 52 thousand (2011: EUR 47 thousand). The intercompany loan is intended to finance the working capital needs of Granitoid. The loan is unsecured and is repayable in January 2013. Interest is charged at interest rate of 9.11%.

Loans owed to related parties

Zlatna Panega Beton EOOD

In July 2012 the Company was provided with a loan from Zlatna Panega Beton EOOD 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 period end are unsecured, interest free (except for loans) and settlement occurs in cash. Except as disclosed in note 18, there have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2012, the Company has not recorded any impairment of receivables relating to amounts owed from related parties (2011: Nil). This assessment is undertaken each financial period by examining the financial position of the related party and the market in which the related party operates.

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23. Related party disclosures (continued)

Compensation of key management personnel

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Short-term employee benefits	737	762
	<u>737</u>	<u>762</u>

24. Dividends distributed

During the year ended 31 December 2012 the General Meeting of Shareholders voted not to distribute dividends (during 2011: EUR 12,008 thousand). The dividend per share is EUR Nil (2011: 0.37).

25. Commitments and contingencies

	<u>2012</u>	<u>2011</u>
	<u>€000</u>	<u>€000</u>
Capital commitments	632	622
Promissory note for supply of electricity	780	738
Promissory note to banks and leasing companies	58	55

Capital commitments

At 31 December 2012 the Company has capital commitments of EUR 632 thousand (2011: EUR 622 thousand) related to the completion of capital projects including: Girth gear for Raw mill, Trunnion for Raw Mill, Water Drainage and others.

Legal claims

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

Finance lease commitments – Company as a lessee

In 2011, the Company has entered into finance lease contract for plant and machinery – two concrete centres and a concrete pump. The leasing contracts for two of the assets expired in 2012 and the Company sold these assets. As of 31 December 2012 there is only one asset, subject to finance lease arrangement – a concrete centre.

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

	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	<u>Minimum payments</u>	<u>Present value of payments</u>	<u>Minimum payments</u>	<u>Present value of payments</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Within one year	66	64	83	79
After one year but not more than five years	71	70	137	133
Total minimum lease payments	137	134	220	212
Less amounts representing finance charges	(3)	-	(8)	-
Present value of minimum lease payments	<u>134</u>	<u>134</u>	<u>212</u>	<u>212</u>

25. Commitments and contingencies (continued)

Bank guarantees

As at 31 December 2012 the Company provided a total EUR 273 thousand of bank guarantees.

Other

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

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

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

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>2012</u>	<u>2011</u>
	€000	€000
Within one year	146	80
After one year but not more than five years	<u>320</u>	<u>127</u>
	<u><u>466</u></u>	<u><u>207</u></u>

26. Financial risk management objectives and policies

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

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

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term and long-term debt obligations with floating interest rates. The Company's policy is to manage its interest cost through continuous negotiations with financial institutions (banks) aimed at achieving the most favourable terms and conditions that are on offer.

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26. 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 profit before tax (through the impact on the floating rate borrowings). There is no impact on the Company's equity.

	Increase/decrease in basis points	Effect on profit before tax
	€000	€000
2012		
Loans in BGN		
Loans in BGN	+200	(461)
	-100	230
2011		
Loans in BGN		
Loans in BGN	+200	(559)
	-100	279

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the Company aims at maintaining flexibility in funding by keeping committed credit lines available.

The table below summarises the maturity profile of the Company's financial liabilities at based on contractual undiscounted payments.

As of 31 December 2012

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest bearing loans	-	224	6,184	18,648	-	25,056
Finance lease liabilities	-	16	50	71	-	137
Trade payables	-	1,935	-	-	-	1,935
Other payables	-	1,486	-	-	-	1,486
Payables to related parties	-	28	-	-	-	28
	-	<u>3,689</u>	<u>6,234</u>	<u>18,719</u>	-	<u>28,642</u>

As of 31 December 2011

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest bearing loans	-	17,097	12,119	-	-	29,216
Finance lease liabilities	-	25	58	137	-	220
Trade payables	-	2,114	-	-	-	2,114
Other payables	-	631	-	-	-	631
Payables to related parties	-	22	-	-	-	22
Other financial liabilities	-	-	408	85	-	493
	-	<u>19,889</u>	<u>12,585</u>	<u>222</u>	-	<u>32,696</u>

Foreign exchange risk

The Company's exposure to foreign currency risk is minimal due to the fact that the majority of foreign currency transactions relating to purchases are denominated in euro, which is currently fixed at BGN 1.95583 for 1 EUR.

26. Financial risk management objectives and policies (continued)

Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure is the carrying amount as disclosed in note 14. There are no significant concentrations of credit risk within the Company.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, available-for-sale financial investments and other financial assets (non-current), receivables from related parties the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following the shareholders' approval. No changes were made in the objectives, policies or processes during the period ended 31 December 2012 and 31 December 2011.

The Company monitors its equity capital using earnings before interest, tax, depreciation and amortization (EBITDA) for the period. On the basis of the rules and principles followed consistently by Titan Group in this respect, EBITDA is as follows:

	2012	2011
	€000	€000
EBITDA	8,864	24,041

The Company is not subject to any externally imposed capital requirements. The structure and management of debt capital is determined at TITAN Group level.

27. Financial instruments

Fair values

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

The estimated fair value of the financial instruments is determined by the Company on the basis of available market information, if any, or proper valuation models. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

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

28. Events after the reporting date

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