



ZLATNA PANEGA BETON EOOD

**ANNUAL
FINANCIAL STATEMENTS**

31 December 2014

ZLATNA PANEGA BETON EOOD

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ZLATNA PANEGA BETON EOOD

General Information

Directors

Boriana Yotzova – Executive Director
Biser Dosev - Procurator

Registered office

6, Poruchik Nedelcho Bonchev Str.
Sofia

Solicitors

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

Bankers

Societe General – Expressbank - Sofia
Alpha Bank - Sofia

Auditors

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

ZLATNA PANEGA BETON EOOD

DIRECTORS' REPORT

For the year ended 31 December 2014

DIRECTORS' REPORT

The Directors present their report and the financial statements that have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union for the year ended 31 December 2014.

GENERAL INFORMATION AND BUSINESS DESCRIPTION

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

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

BUSINESS DESCRIPTION

Current period results

The overall financial performance and position of the Company for the year ended 31 December 2014 was characterized by:

- Increasing the sales of the Company in the sector due to the new clients attracted and new contracts signed. As a result of this the Company has sold 221 thousand cubic meters of concrete (2013: 122 thousand cubic meters).
- Sales of concrete to big investment projects in the country.

Share capital structure

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

As at 31 December 2014 Zlatna Panega Beton EOOD has no subsidiaries or associates.

OBJECTIVES OF THE COMPANY FOR 2015

- Enhancing the safety of work environment and minimizing the incidents with reduced personnel.
- Increase of the effectiveness of industrial performance.
- Keeping of the market share in the conditions of extremely decreased construction market.
- Expand in infrastructure projects around the country.
- Keeping of the cost optimization policy.

ZLATNA PANEGA BETON EOOD
DIRECTORS' REPORT
For year ended 31 December 2014

CORPORATE GOVERNANCE

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

The management of the Company consists of:

Boriana Yotzova - Executive Director
Biser Dosev – Procurator


Directors' responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the annual financial statements for the year ended 31 December 2014.

The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Boriana Yotzova
Executive Director
Zlatna Panega Beton EOOD
Sofia
30 January 2015

Independent auditors' report

To the sole owner of

Zlatna Panega Beton EOOD

We have audited the accompanying financial statements of Zlatna Panega Beton EOOD, which comprise the balance sheet as of 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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



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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Zlatna Panega Beton EOOD as of 31 December 2014, 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 Audit OOD

16 February 2015

Sofia, Bulgaria

ZLATNA PANEGA BETON EOOD
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2014

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		€000	€000
Sales of goods		5,394	3,755
Rendering of services		1,069	741
Revenue		6,463	4,496
Cost of sales	5.1	(6,587)	(5,093)
Gross loss		(124)	(597)
Other income	5.7	62	59
Selling and distribution costs	5.2	(96)	(102)
Administrative expenses	5.3	(262)	(311)
Other expenses	5.4	(20)	(45)
Operating loss		(440)	(996)
Finance costs	5.8	(241)	(209)
Loss before tax		(681)	(1,205)
Income tax	6	10	20
Loss for the year		(671)	(1,185)
Actuarial gains on defined benefit plans	16	-	33
Income tax effect	6	-	(4)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	29
Other comprehensive income for the year, net of tax		-	29
Total comprehensive income for the year		(671)	(1,156)



Boriana Petzova
Executive Director

The accompanying notes to the annual financial statements on pages 7 to 40 form an integral part of these financial statements.

ZLATNA PANEGA BETON EOOD
BALANCE SHEET
As of 31 December 2014

	Notes	2014	2013
		€000	€000
ASSETS			
Non-current assets			
Property, plant and equipment	7	7,697	8,006
Intangible assets	8	22	30
Deferred tax assets	6	21	11
Long-term trade receivables	13	673	-
Other financial assets	9	18	14
		<u>8,431</u>	<u>8,061</u>
Current assets			
Inventories	12	92	78
Trade and other receivables	13	2,353	2,568
Deferred expenses	10	10	55
Income tax receivables		24	22
Receivables from related parties	18	1	-
Cash and cash equivalents	14	17	40
		<u>2,497</u>	<u>2,763</u>
Non – current assets held for sale	11	164	82
		<u>2,661</u>	<u>2,845</u>
TOTAL ASSETS		<u>11,092</u>	<u>10,906</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	15	8,421	8,421
Accumulated losses		(7,477)	(6,806)
Total equity		<u>944</u>	<u>1,615</u>
Non-current liabilities			
Retirement benefit liability	16	49	41
		<u>49</u>	<u>41</u>
Current liabilities			
Finance lease liabilities	19	-	75
Trade and other payables	17	422	425
Advances received		223	103
Payables to related parties	18	9,454	8,647
		<u>10,099</u>	<u>9,250</u>
Total liabilities		<u>10,148</u>	<u>9,291</u>
TOTAL EQUITY AND LIABILITIES		<u>11,092</u>	<u>10,906</u>

Boriana Yozova
Executive Director

The accompanying notes to the annual financial statements on pages 7 to 40 form an integral part of these financial statements.

ZLATNA PANEGA BETON EOOD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Issued capital (note 15)	Accumulated losses	Total
	€000	€000	€000
At 1 January 2013	8,421	(5,650)	2,771
Loss for the year	-	(1,185)	(1,185)
Other comprehensive income for the year	-	29	29
Total comprehensive income for the year	-	(1,156)	(1,156)
At 31 December 2013	8,421	(6,806)	1,615
At 1 January 2014	8,421	(6,806)	1,615
Loss for the year	-	(671)	(671)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(671)	(671)
At 31 December 2014	8,421	(7,477)	944



Borjana Yuzovska
Executive Director

The accompanying notes to the annual financial statements on pages 7 to 40 form an integral part of these financial statements.

ZLATNA PANEGA BETON EOOD
STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	<u>Notes</u>	<u>2014</u>	<u>2013</u>
		€000	€000
OPERATING ACTIVITIES			
Loss before tax		(681)	(1,205)
Adjustments to reconcile loss before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	438	430
Amortisation of intangible assets	8	8	7
Gain on disposal of property, plant and equipment	5.7	-	(6)
Impairment of fixed assets	7, 5.4	3	-
Movement in doubtful debt allowance and adjustments to amortized cost	13	53	7
Movement in retirement benefit liability		8	14
Interest income		-	-
Interest expense	5.8	186	202
Inventory shortage and scrap		3	(13)
Working capital adjustments:			
(Increase)/Decrease in inventories		(17)	51
(Increase)/Decrease in trade and other receivables		(598)	81
Increase in trade and other payables		1,091	973
Decrease/(Increase) in deferred expenses		45	(47)
Increase in advance received		120	57
Income tax paid		(2)	-
Net cash flows from/ operating activities		<u>657</u>	<u>551</u>
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	6
Purchase of property, plant and equipment		(132)	(189)
Net cash flows used in investing activities		<u>(132)</u>	<u>(183)</u>
FINANCING ACTIVITIES			
Proceeds from borrowings from banks		-	580
Repayment of borrowings to banks		-	(388)
Payment of finance lease liabilities		(75)	(82)
Proceeds from loans from related parties		107	51
Repayment of loans from related parties		(393)	(304)
Interest paid		(187)	(188)
Net cash flows used in financing activities		<u>(548)</u>	<u>(331)</u>
Net (decrease)/increase in cash and cash equivalents		(23)	37
Cash and cash equivalents at 1 January		<u>40</u>	<u>3</u>
Cash and cash equivalents at 31 December	14	<u>17</u>	<u>40</u>

Boriana Yotzova
Executive Director

The accompanying notes to the annual financial statements on pages 7 to 40 form an integral part of these financial statements.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. Corporate information

The annual financial statements of Zlatna Panega Beton EOOD (the Company) for the year ended 31 December 2014 were authorized for issue by the Executive Director on 30 January 2015.

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

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

As of 31 December 2014 the sole owner of the Company is Zlatna Panega Cement AD, incorporated and domiciled in Zlatna Panega, Bulgaria.

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

2.1. Basis of preparation

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

Statement of compliance

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

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

The company has prepared a separate set of statutory financial statements in Bulgarian, expressed in Bulgarian leva, in accordance with IFRS as adopted for use in the EU. The statutory financial statements were authorized for issue by the Executive Director on 30 January 2015.

Going concern

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

For the year ended 31 December 2014 the Company incurred net loss of EUR 671 thousand (2013: EUR 1,185 thousand) and its current liabilities exceed its current assets by EUR 7,438 thousand as of 31 December 2014 (2013: EUR 6,405 thousand). This may cast doubts as regards its ability to continue its activities as a going concern. The future viability of the Company depends upon the business environment as well as upon the continuing support of the sole owner and providers of finance as the major part (93%) of total current liabilities are comprised of loans and payables to related parties. The management analyzed the ability of Zlatna Panega Beton EOOD to continue operations in the near future and have taken measures to strengthen its position by obtaining financial support from the parent company and other related parties. Further for the year ended 31 December 2014 the Company has been provided with formal letter of support from the parent company, stating that adequate funds and full support would be provided to enable the Company to continue operations at least until the next twelve-month period.

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

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

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 recognized 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 Company analyses its selling arrangements against specific criteria to determine whether it acts as a principal or as an agent. It has concluded that it acts as principal in all such arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Rendering of services

Revenue from transport and pumping services (usually short term in nature) is recognized over the period during which the service is performed.

Rental income

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

Interest income

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

c) Taxes

Current income tax

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

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 recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

2.2. Summary of significant accounting policies (continued)

c) Taxes (continued)

Deferred income tax (continued)

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized 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.

d) Financial instruments – initial recognition and subsequent measurement

• Financial assets

Initial recognition and measurement

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

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

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

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

2.2. Summary of significant accounting policies (continued)

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

• **Financial assets (continued)**

Subsequent measurement

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

Loans and receivables

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

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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.

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

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss for the period. 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 profit or loss for the period.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss for the period.

- **Financial liabilities**

Initial recognition and measurement

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

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

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

Subsequent measurement

The subsequent valuation of financial liabilities depends on their classification as follows:

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest method amortization process.

2.2. Summary of significant accounting policies (continued)

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

- **Financial liabilities (continued)**

Derecognition of financial liabilities

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

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

e) Offsetting of financial instruments

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

f) Fair value measurement

For disclosure purposes the Company measures the fair value of its financial instruments as well as non-financial assets at fair value at each balance sheet date where required by the applicable standard. Fair values of financial instruments measured at amortised cost are disclosed in Note 21.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

2.2. Summary of significant accounting policies (continued)

f) Fair value measurement (continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. As of 31 December 2014 the Company does not report assets or liabilities measured at fair value.

The Company's management determines the policies and procedures for both recurring fair value measurement, and for non-recurring measurement, such as assets held for distribution in discontinued operation and non – current assets, held for sale.

External valuation experts are involved for valuation of significant assets and significant liabilities. Involvement of valuation experts is decided upon annually by the management. Selection criteria for external valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the valuation experts, which valuation techniques and inputs to use for each case.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The management, in conjunction with the valuation experts, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

g) 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 recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

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

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

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

2.2. Summary of significant accounting policies (continued)

h) Non-current assets held for sale or for distribution to equity holder of the parent and discontinued operation

The Company classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and income tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the balance sheet.

A disposal group qualifies as discontinued operation if it is:

- A component of the Company that is a CGU or a group of CGUs
- Classified as held for sale or distribution or already disposed in such a way, or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of comprehensive income.

Additional disclosures are provided in Note 11.

i) Leases

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

Company as a lessee

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

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 profit or loss for the period on a straight-line basis over the lease term.

Company as a lessor

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

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For the year ended 31 December 2014

2.2. Summary of significant accounting policies (continued)

j) Borrowing costs

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

k) Intangible assets

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

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

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

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

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

Licenses	3 to 15 years
Computer software	5 years

l) Inventories

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

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

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

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

2.2. Summary of significant accounting policies (continued)

m) Impairment of non-financial assets

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

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

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

n) Cash and cash equivalents

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

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

o) Employee benefits

Short-term employee benefits include salaries, social security contributions and paid annual leave of current employees expected to be settled wholly within twelve months after the end of the reporting period. They are recognised as an employee benefit expense in the profit or loss or included in the cost of an asset when service is rendered to the Company and measured at the undiscounted amount of the expected cost of the benefit. Information on short-term employee benefits is disclosed in Note 16.

The Company operates defined benefit plan arising from the requirement of the Bulgarian labour legislation 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 Company for 10 years, the retirement benefit amounts to six gross monthly salaries upon retirement, otherwise, two gross monthly salaries. These retirement benefits are unfunded. The cost of providing benefits under the retirement benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises restructuring-related costs.

2.2. Summary of significant accounting policies (continued)

o) Employee benefits (continued)

Interest expense is calculated by applying the discount rate to the defined benefit liability. The Company recognises the following changes in the defined benefit obligation in profit or loss for the period:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements within "Other expenses"
- Interest expense within "Finance costs".

p) Issued capital

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

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. The following amended IFRSs and IFRIC Interpretations have been adopted by the Company as of 1 January 2014:

- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC Interpretation 21: Levies

The adoption of the above new or amended standards or interpretations has no effect on these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
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3. Significant accounting judgements, estimates and assumptions

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

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

Retirement benefits

The cost of retirement benefit plan is determined using actuarial valuation for the financial year 2014. 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 2014 is EUR 49 thousand (2013: EUR 41 thousand). Further details are given in Note 16 to the financial statements. The Company expects to settle accumulated paid annual leave classified as short – term employee benefits as of 31 December 2014 at the amount of EUR 17 thousand entirely within twelve months after the end of the reporting period.

Useful lives of property plant and equipment, and intangible assets

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

Impairment of receivables

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful receivables, management bases its estimates on the aging of accounts receivable, balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. At 31 December 2014 the best estimate of the impairment of receivables is EUR 104 thousand (2013: EUR 245 thousand). Additionally, as at 31 December 2014 the Company has impaired receivables from a key customer to amortised cost by EUR 53 thousand. Further details are provided in Note 13.

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

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 16 Property, Plant and Equipment and IAS 38 Intangible assets (Amendments): Clarification of Acceptable Methods of Depreciation and Amortization**
The amendments are effective for annual periods beginning on or after 1 January 2016. They clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment or amortise intangible assets. The amendments have not yet been endorsed by the EU. The Company is in the process of assessing the impact of these amendments on its financial position or performance.
- **IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendments): Bearer Plants**
The amendments are effective for annual periods beginning on or after 1 January 2016. Bearer plants will now be within the scope of IAS 16 and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of in accordance with IAS 41. The amendment has not yet been endorsed by the EU. It is not expected that these amendments would be relevant to the Company.
- **IAS 19 Employee benefits (Amended): Employee Contributions**
The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The Company is in the process of assessing the impact of these amendments on its financial position or performance.
- **IFRS 9 Financial Instruments**
The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on its financial position or performance.
- **IFRS 11 Joint Arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**
The amendment is effective for annual periods beginning on or after 1 January 2016. It adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS. The amendment has not yet been endorsed by the EU. It is not expected that this amendment would be relevant to the Company.
- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**
The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

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

These amendments have not yet been endorsed by the EU. It is not expected that these amendments would be relevant to the Company.

• **IAS 1 Presentation of Financial Statements: Disclosure Initiative (Amendment)**

The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. They clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. These amendments have not yet been endorsed by the EU. The Company is in the process of assessing the impact of these amendments on its financial statements.

• **IFRS 14 Regulatory Deferral Accounts**

The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the pricing of particular types of activity. This can include utilities such as gas, electricity and water. The standard requires that the effect of rate regulation must be presented separately from other items and grants exemption to IFRS first-time adopters. This standard has not yet been endorsed by the EU. As the Company has adopted IFRS in prior periods and is not engaged in government regulated activities, it is not expected that the standard would be relevant to the Company.

• **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations and key judgments and estimates. The standard has not been yet endorsed by the EU. The Company is in the process of assessing the impact of the new standard on its financial position or performance.

• **IAS 27 Separate Financial Statements (Amended)**

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment has not yet been endorsed by the EU. As the Company does not have any investments in subsidiaries, joint ventures and associates, the amendment will not impact its financial position and performance.

• **Amendments in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognized when a transaction involves a business or a partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU. It is not expected that these amendments would impact the financial position or performance of the Company.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

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

• **Annual improvements to IFRSs 2010-2012 Cycle**

In the 2010-2012 annual improvements cycle, the IASB issued amendments to seven standards which are effective for annual periods beginning on or after 1 February 2015. Summary of amendments and related standards are provided below:

- IFRS 2 Share-based Payments – amended definitions of ‘vesting conditions’ and ‘market condition’ and adding the definitions of ‘performance condition’ and ‘service condition’;
- IFRS 3 Business Combinations – clarification on the accounting for contingent consideration arising from business combination;
- IFRS 8 Operating Segments – additional disclosures of management judgement on aggregating operating segments and clarification on reconciliation of total segments’ assets to the entity’s assets;
- IFRS 13 Fair Value Measurement – clarification on interaction with IFRS 9 as regards short-term receivables and payables;
- IAS 16 Property, Plant and Equipment – amended to state that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount while the accumulated depreciation is calculated as a difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses;
- IAS 24 Related Party Disclosures – clarified that a management entity that provides key management services to a reporting entity is deemed to be a related party; disclosure of the service fee paid or payable is required;
- IAS 38 Intangible Assets – same amendment as IAS 16 above.

The Company is in the process of assessing the impact of the amendments on its financial statements.

• **Annual improvements to IFRSs 2011-2013 Cycle**

In the 2011-2013 annual improvements cycle, the IASB issued amendments to four standards which are effective for annual periods beginning on or after 1 January 2015. Summary of amendments and related standards are provided below:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – clarification on the early application of new IFRS that is not yet mandatory;
- IFRS 3 Business Combinations – clarification on scope exclusions regarding the formation of joint arrangement in the financial statements of the joint arrangement itself;
- IFRS 13 Fair Value Measurement – clarification on the application of portfolio exception (measuring fair value of a group of financial assets and financial liabilities on a net basis);
- IAS 40 Investment Property – clarification on the interrelationship between IFRS 3 and IAS 40.

The Company is in the process of assessing the impact of the amendments on its financial statements.

• **Annual improvements to IFRSs 2012-2014 Cycle**

In the 2012-2014 annual improvements cycle, the IASB issued amendments to four standards which are applicable for financial year 2016. These annual improvements have not yet been endorsed by the EU. Summary of amendments and related standards are provided below:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarification that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan;
- IFRS 7 Financial Instruments: Disclosures – provides examples of continuing involvement in a financial asset and clarifies required disclosures in the condensed interim financial report;
- IAS 19 Employee Benefits – clarification on long-term liability discount rate determination;
- IAS 34 Interim Financial Reporting – clarification on required interim disclosures: they must either be in the interim financial statements or incorporated by cross-reference to other interim financial information (e.g., in the management report) that is available to users on the same terms as the interim financial statements and at the same time.

The Company is in the process of assessing the impact of the amendments on its financial statements.

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

5. Expenses and other revenues

5.1. Cost of sales

	<u>2014</u>	<u>2013</u>
	€000	€000
Variable costs		
Cement	(2,492)	(1,762)
Aggregates	(1,470)	(1,157)
Freight	(689)	(484)
Additives	(315)	(230)
Fuel and oil	(117)	(93)
Front loader services	(117)	(86)
Electricity	(63)	(48)
Repair and maintenance	(30)	(18)
Other variable costs	(32)	(42)
Fixed costs		
Depreciation	(424)	(413)
Plant salaries, wages and related expenses	(393)	(358)
Concrete pumps rent	(66)	(32)
Repair and maintenance cost	(65)	(19)
Security	(52)	(98)
Operating expenses for mobile plants	(43)	(18)
Contract labour	(32)	(59)
Fuel	(30)	(27)
Insurance and taxes	(23)	(30)
Amortization	(8)	(7)
Plant utilities	(6)	(6)
Other fixed costs	(120)	(106)
	<u>(6,587)</u>	<u>(5,093)</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

5. Expenses and other revenues (continued)

5.2. Selling and distribution costs

	<u>2014</u>	<u>2013</u>
	€000	€000
Salaries and related expenses	(46)	(45)
Transport vehicle rent	(19)	(18)
Fuel	(12)	(12)
Litigation charges	(7)	(6)
Advertising and promotion	(5)	-
Travel - entertainment	(1)	(3)
Other distribution costs	(6)	(18)
	<u>(96)</u>	<u>(102)</u>

5.3. Administrative expenses

	<u>2014</u>	<u>2013</u>
	€000	€000
Salaries and related expenses	(173)	(185)
Insurance and taxes	(23)	(29)
Car expenses	(19)	(21)
Depreciation	(14)	(17)
Travel - entertainment	(6)	(7)
Audit fees	(4)	(4)
Lawyer/Notary fees	(1)	(4)
Repair and maintenance	(1)	(1)
Telecommunications	(1)	(1)
Supplies	(1)	(1)
Other	(19)	(41)
	<u>(262)</u>	<u>(311)</u>

5.4. Other expenses

	<u>2014</u>	<u>2013</u>
	€000	€000
Retirement benefit charges (Note 16)	(8)	(12)
Staff leaving indemnities	(4)	(27)
Expenses for impairment of fixed assets (Note 7)	(3)	-
Shortage and scrap of assets	(3)	-
Net movement in unused paid leaves (Note 17)	(2)	-
Other	-	(6)
	<u>(20)</u>	<u>(45)</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

5. Expenses and other revenues (continued)

5.5. Expenses by nature

	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Materials used and recognized as an expense	(4,650)	(3,418)
Hired services	(1,196)	(1,008)
Depreciation (Note 7)	(438)	(430)
Amortization (Note 8)	(8)	(7)
Employee benefits expense (Note 5.6)	(620)	(602)
Other	(53)	(86)
Total cost of sales, selling and distribution, administrative and other expenses	<u>(6,965)</u>	<u>(5,551)</u>

5.6. Employee benefits expense

	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Wages and salaries	(498)	(478)
Social security costs	(91)	(86)
Retirement benefits (Note 16)	(8)	(12)
Other related expenses	(23)	(26)
	<u>(620)</u>	<u>(602)</u>

5.7. Other income

	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Rental income	41	38
Surplus of assets	5	13
Profit from sales of tangible assets	-	6
Net movement in unused paid leave (Note 17)	-	2
Other	16	-
	<u>62</u>	<u>59</u>

ZLATNA PANEGA BETON EOOD
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

5. Expenses and other revenues (continued)

5.8. Finance costs

	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Interest on loans from related parties (Note 18)	(183)	(78)
Impairment of receivables to amortised cost (Note 13)	(53)	-
Interest under finance leases	(3)	(8)
Other expenses and fees	(1)	(5)
Interest on bank loans and overdrafts	-	(116)
Other finance costs	(1)	(2)
	<u>(241)</u>	<u>(209)</u>

6. Income tax

The major components of income tax benefit for the year ended 31 December 2014 and 2013 are:

	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Current income tax charge	-	-
Deferred tax benefit	10	20
Income tax benefit reported in profit or loss for the period	<u>10</u>	<u>20</u>
	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Deferred income tax expense related to actuarial gains on defined benefit plans	-	(4)
Deferred tax charged directly to other comprehensive income	<u>-</u>	<u>(4)</u>

In 2014 the nominal statutory tax rate is 10% (2013: 10%). In 2015 the nominal statutory tax rate is 10%.

Reconciliation between income tax benefit and the result of accounting loss multiplied by the statutory tax rate for the years ended 31 December 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Accounting loss before income tax	(681)	(1,205)
Income tax benefit at statutory tax rate of 10 % for 2014 (2013: 10%)	68	121
Expenses not deductible for tax purposes	(2)	(3)
Unused interest expenses under thin capitalization regulation for which no deferred tax assets was recognised	(18)	(20)
Tax losses for which no deferred income tax asset was recognized	(38)	(78)
Income tax benefit	<u>10</u>	<u>20</u>

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6. Income tax (continued)

Deferred income tax at 31 December relates to the following:

	Balance sheet		Profit or loss for the period		Other comprehensive Income	
	2014	2013	2014	2013	2014	2013
	€000	€000	€000	€000	€000	€000
<i>Deferred tax liability</i>						
Accelerated depreciation for tax purposes	(1)	(19)	18	19	-	-
<i>Deferred tax asset</i>						
Unused leave allowance	2	2	-	-	-	-
Retirement benefits	5	4	1	2	-	(4)
Doubtful debt allowance	15	24	(9)	(1)	-	-
	<u>22</u>	<u>30</u>				
Deferred tax benefit			<u>10</u>	<u>20</u>	<u>-</u>	<u>(4)</u>
Deferred tax asset, net	<u>21</u>	<u>11</u>				

Reconciliation of deferred tax asset, net:

	2014	2013
	€000	€000
Opening balance as of 1 January	11	(5)
Tax income during the period, recognised in profit or loss	10	20
Tax expense during the period, recognised in other comprehensive income	-	(4)
Closing balance as of 31 December	<u>21</u>	<u>11</u>

The Company has incurred tax losses as follows:

Tax period	Period for utilization of tax losses carried forward	2014	2013
		€000	€000
2014	2015 through 2019	378	-
2013	2014 through 2018	781	781
2012	2013 through 2017	1,516	1,516
2011	2012 through 2016	1,647	1,647
2010	2011 through 2015	519	519
2009	2010 through 2014	-	1,342
		<u>4,841</u>	<u>5,805</u>
Applicable tax rate		10%	10%
Unrecognized deferred tax asset		<u>484</u>	<u>580</u>

Tax losses incurred are available for offset against future taxable profits within five-year period. Since the amounts and timing of future taxable income cannot be estimated reliably due to uncertainties in the Company's economic environment, no deferred tax asset has been recognized for the tax losses carried forward as at 31 December 2014.

At the reporting date the Company reported unused interest expenses under thin capitalisation regulation on which no deferred tax asset was recognised in the amount of EUR 183 thousand (2013: EUR 196 thousand) which could be utilised in the period 2015 – 2019. The related unrecognized deferred tax asset amounts to EUR 18 thousand (2013: EUR 20 thousand). Thus, the accumulated unrecognized deferred tax asset as of 31 December 2014 amounts to EUR 38 thousand.

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7. Property, plant and equipment

	<u>Land and buildings</u>	<u>Plant and machinery</u>	<u>Vehicles</u>	<u>Furniture and fittings</u>	<u>Assets under construction</u>	<u>Total</u>
	€000	€000	€000	€000	€000	€000
Cost:						
At 1 January 2013	2,974	5,398	2,962	369	577	12,280
Additions	174	336	-	7	138	655
Transfers	98	200	-	-	(298)	-
Disposals	-	-	(61)	-	-	(61)
At 31 December 2013	3,246	5,934	2,901	376	417	12,874
At 1 January 2014	3,246	5,934	2,901	376	417	12,874
Additions	-	3	-	1	128	132
Transfers	-	-	-	9	(9)	-
At 31 December 2014	3,246	5,937	2,901	386	536	13,006
Depreciation:						
At 1 January 2013	571	2,276	1,462	190	-	4,499
Depreciation charge for the year	35	277	98	20	-	430
Disposals	-	-	(61)	-	-	(61)
At 31 December 2013	606	2,553	1,499	210	-	4,868
At 1 January 2014	606	2,553	1,499	210	-	4,868
Depreciation charge for the year	34	267	97	40	-	438
Impairment	-	-	-	-	3	3
At 31 December 2014	640	2,820	1,596	250	3	5,309
Net book value:						
At 1 January 2013	2,403	3,122	1,500	179	577	7,781
At 31 December 2013	2,640	3,381	1,402	166	417	8,006
At 31 December 2014	2,606	3,117	1,305	136	533	7,697

Finance leases and assets under construction

The carrying value of vehicles held under finance lease as at 31 December 2014 was EUR 277 thousand (2013: EUR 294 thousand). Ownership of these assets has been transferred in January 2015.

Assets under construction include mainly uncompleted ready-mix plants in Stara Zagora, Sofia and Pazardzhik. Due to the adverse effect of the financial crisis on the industry, the management decided to postpone their completion to 2015, following the instructions from the ultimate parent company.

Impairment of property, plant and equipment

Based on the review for impairment indicators of the Property, plant and equipment, the Company's management has found indicators that the book value of the assets exceeds their recoverable amount. Therefore, impairment of BGN 3 thousand related to Assets under Construction has been recognized at 31 December 2014. (2013: Nil).

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8. Intangible assets

	Licenses	Computer software	Total
	€000	€000	€000
Cost:			
At 1 January 2013	56	86	142
At 31 December 2013	<u>56</u>	<u>86</u>	<u>142</u>
At 1 January 2014	56	86	142
At 31 December 2014	<u>56</u>	<u>86</u>	<u>142</u>
Amortisation:			
At 1 January 2013	31	74	105
Amortisation charge for the year	4	3	7
At 31 December 2013	<u>35</u>	<u>77</u>	<u>112</u>
At 1 January 2014	35	77	112
Amortisation charge for the year	3	5	8
At 31 December 2014	<u>38</u>	<u>82</u>	<u>120</u>
Net book value:			
At 1 January 2013	25	12	37
At 31 December 2013	<u>21</u>	<u>9</u>	<u>30</u>
At 31 December 2014	<u>18</u>	<u>4</u>	<u>22</u>

Impairment of intangible assets

The management of the Company has carried out a review for existence of impairment indicators at 31 December 2014. No indications have been found that the carrying amount of the intangible assets exceeds their recoverable amount and therefore, no impairment loss has been recognized in the financial statements (31 December 2013: Nil).

9. Other financial assets

	2014	2013
	€000	€000
Operating lease deposits – non-current portion	18	14
	<u>18</u>	<u>14</u>

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

10. Deferred expenses

	2014	2013
	€000	€000
Operating deferred expenses for mobile plants	-	40
Other deferred expenses	10	15
	<u>10</u>	<u>55</u>

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10. Deferred expenses (continued)

As of 31 December 2014 the Company reports deferred expenses at the total amount of EUR 10 thousand (2013: EUR 55 thousand). Such expenses are deferred and recognized on a straight line basis until the end terms of the contracts with the respective contractors. During the current period EUR 43 thousand of installation expenses were recognized in profit or loss (2013: EUR 18 thousand).

11. Non – current assets held for sale

Non –current assets held for sale are valued at 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. Current assets held for sale have been presented at carrying amount which is the lower of the two values. The costs to sell of the property are deemed to be immaterial to the financial statements taken as a whole.

Assets held for sale comprise of two apartments which the Company received from a trade debtor against receivables in December 2013 and July 2014 valued at EUR 82 thousand each.

12. Inventories

	<u>2014</u>	<u>2013</u>
	€000	€000
Raw materials (at cost)	75	67
Spare parts and supplies	17	11
	<u>92</u>	<u>78</u>

13. Trade and other receivables

	<u>2014</u>	<u>2013</u>
	€000	€000
Long-term trade receivables, gross	718	-
Less: Adjustment to amortised cost	(45)	-
Long-term trade receivables, net	673	-
Trade receivables	2,137	2,359
Receivables under court procedure	320	440
Less: Adjustment to amortised cost	(8)	-
Less: Doubtful debt allowance	(104)	(245)
Short-term trade receivables, net	2,345	2,554
Deposits – current portion	8	12
VAT receivables	-	2
Trade and other receivables, net	<u>2,353</u>	<u>2,568</u>

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

As at 31 December 2014 current trade receivables at nominal value of EUR 177 thousand (2013: EUR 316 thousand) were impaired following receivable collectability analysis performed by the Company's management.

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13. Trade and other receivables (continued)

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

	Allowance for individually impaired receivables
	€000
At 1 January 2013	252
Charge for the year	-
Utilized	(7)
At 31 December 2013	245
At 1 January 2014	245
Charge for the year	-
Utilized	(141)
At 31 December 2014	104

The aging analysis of trade receivables (long-term and short-term) is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
	€000	€000	€000	€000	€000	€000	€000
31 December 2014	3,018	765	228	148	100	65	1,712
31 December 2013	2,483	666	218	269	130	108	1,092

14. Cash and cash equivalents

	2014	2013
	€000	€000
Cash in hand	1	3
Cash at bank	16	37
	17	40

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

15. Issued capital

	2014	2013
	€000	€000
Shares of EUR 5 each, as per court registration	8,421	8,421
	8,421	8,421

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15. Issued capital (continued)

	<u>Number of shares (thousands)</u>	<u>Authorized capital €000</u>
At 1 January 2013	1,647	8,421
At 1 January 2014	<u>1,647</u>	<u>8,421</u>
At 31 December 2014	<u>1,647</u>	<u>8,421</u>

All shares issued were fully paid.

16. Retirement benefits

According to Bulgarian labour legislation, Zlatna Panega Beton EOOD, as an employer is obliged to pay four or eight 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 eight gross monthly salaries upon retirement, otherwise, four gross monthly salaries. The retirement benefits are unfunded.

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

Net benefit expense

	<u>2014 €000</u>	<u>2013 €000</u>
Current service cost (Note 5.4)	(8)	(12)
Interest cost	<u>-</u>	<u>(2)</u>
Net benefit expense recognized in profit or loss for the period	<u>(8)</u>	<u>(14)</u>
Actuarial gains on defined benefit plans recognized in other comprehensive income	<u>-</u>	<u>33</u>

Benefit liability

	<u>2014 €000</u>	<u>2013 €000</u>
Present value of defined benefit obligation	<u>49</u>	<u>41</u>
Benefit liability recognized in the balance sheet	<u>49</u>	<u>41</u>

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

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16. Retirement benefits (continued)

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

	<u>Amount</u>
	<u>€000</u>
Retirement benefit obligation at 1 January 2013	47
Interest cost	2
Current service cost	12
Actuarial gains on obligation	(20)
Retirement benefit obligation at 31 December 2013	41
Interest cost	-
Current service cost	8
Actuarial gains on obligation	-
Retirement benefit obligation at 31 December 2014	49

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

	<u>2014</u>	<u>2013</u>
Discount rate	3.25%	3.25%
Future salary increases	2%	2%

A quantitative sensitivity analysis for significant assumption as at 31 December 2014 is as shown below:

Assumptions	Discount rate		Future salary increases		Staff turnover	
	0.25%	0.25%	1%	1%	1%	1%
	increase	decrease	increase	decrease	increase	decrease
<u>Sensitivity Level</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
Impact on the defined benefit obligation	(2)	2	11	(9)	(7)	3

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Between 5 and 10 years	23	9
Beyond 10 years	821	880
Total expected payments	844	889

The average duration of the defined benefit plan obligation at the end of the reporting period is 24 years (2013: 25 years).

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17. Trade and other payables

	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Trade payables to domestic suppliers	339	353
Trade payables to foreign suppliers	2	2
Trade payables	<u>341</u>	<u>355</u>
Payables to employees	26	27
Unused paid leave	17	15
Social security	11	11
Payroll taxes	3	3
VAT payables	13	-
Other payables	11	14
	<u>422</u>	<u>425</u>

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

- Trade payables are non-interest bearing and are normally settled on 10-60 day terms;
- Tax payables are non-interest bearing and are settled within the legal deadlines;
- Other payables are non-interest bearing and have an average term of 10 days;

18. Related party disclosures

The ultimate parent

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

Entity with controlling interest in the Company

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

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18. Related party disclosures (continued)

Other related parties

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

GAEA – Green Alternative Energy Assets EAD and Zlatna Panega Beton EOOD are related parties because they are under the common control of Titan Cement Company S.A., Greece.

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

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

		<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Amounts owed by related parties</u>	<u>Amounts owed to related parties</u>
		€000	€000	€000	€000
In respect of sales to/ purchases from related party					
<i>Entity with controlling interest in the Company</i>					
Zlatna Panega Cement AD	2014	49	2,528	-	4,284
Zlatna Panega Cement AD	2013	33	1,752	-	3,154
<i>Other related parties</i>					
Holcim karierni materiali AD	2014	-	288	-	50
Holcim karierni materiali AD	2013	-	296	-	83
Holcim karierni materiali Plovdiv AD	2014	-	28	-	2
Holcim karierni materiali Plovdiv AD	2013	-	67	-	5
GAEA – Green Alternative Energy Assets EAD	2014	6	-	1	-
GAEA – Green Alternative Energy Assets EAD	2013	2	-	-	-
	2014			<u>1</u>	<u>4,336</u>
	2013			<u>-</u>	<u>3,242</u>

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18. Related party disclosures (continued)

Loans due to related parties		Interest	Interest	Amounts owed
		income	expense	to related
		€000	€000	parties
				€000
<i>Entity with controlling interest in the Company</i>				
(1) Zlatna Panega Cement AD	2014	-	165	4,504
(1) Zlatna Panega Cement AD	2013	-	55	4,658
<i>Other related parties</i>				
(2) Gravel and Sand Pits Bulgaria EAD	2014	-	18	614
(2) Gravel and Sand Pits Bulgaria EAD	2013	-	23	747
	2014	<u>-</u>	<u>183</u>	<u>5,118</u>
	2013	<u>-</u>	<u>78</u>	<u>5,405</u>

As at 31 December 2014 included in the amounts owed to related parties in respect of loans is interest payable to Gravel and Sand Pits Bulgaria EAD and Zlatna Panega Cement AD at the amount of EUR 1 thousand and EUR 14 thousand respectively (31 December 2013: interest payable to Gravel and Sand Pits Bulgaria and Zlatna Panega Cement AD at the amount of EUR 2 thousand and EUR 14 thousand respectively).

Loans owed to related parties

(1) Zlatna Panega Cement AD

On 3 September 2013 Zlatna Panega Cement AD has stepped in as a new borrower in the overdraft facility, whereas Zlatna Panega Beton EOOD stepped out by transferring its obligation to the parent company. Loan is unsecured and is fully payable on 31 January 2015. It is intended to finance the working capital needs of the Company. The annual interest rate is set at monthly Sofibor plus spread of 3%. The amount of the loan transferred is EUR 4,797 thousand. During the year the Company made principal repayment for EUR 261 thousand (2013: 204 thousand) and interest repayment of EUR 165 thousand (2013: 41 thousand). Further, during 2014 the Company received additional amount of EUR 107 thousand under the same loan agreement.

(2) Gravel and Sand Pits Bulgaria AD

In March 2011, the Company was provided with an unsecured loan from its related party Gravel and Sand Pits Bulgaria AD at the total amount of EUR 1,001 thousand. Loan is fully payable on 24 March 2015. It is intended to finance the working capital needs of the Company. Interest is charged at 1M Sofibor rate plus spread of 2.30%. During the year the Company made principal repayment for EUR 132 thousand (2013: EUR 100 thousand) and interest repayment of EUR 19 thousand (2013: EUR 23 thousand).

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18. Related party disclosures (continued)

Terms and conditions of transactions with related parties

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

Compensation of key management personnel

	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Short-term employee benefits	<u>100</u>	<u>125</u>
	<u>100</u>	<u>125</u>

19. Commitments and contingencies

The Company has no capital commitments as of 31 December 2014.

Guarantees

The Company has provided no guarantees as of 31 December 2014.

Finance lease commitments – Company as a lessee

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

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

	<u>2014</u>		<u>2013</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	-	-	77	75
After one year but not more than five years	-	-	-	-
Total minimum lease payments	-	-	77	75
Less amounts representing finance charges	-	-	(2)	-
Present value of minimum lease payments	<u>-</u>	<u>-</u>	<u>75</u>	<u>75</u>

Operating lease commitments – Company as a lessee

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

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19. Commitments and contingencies (continued)

Operating lease commitments – Company as a lessee (continued)

Future minimum rentals payable under non-cancellable operating leases as of 31 December 2014 are as follows:

	<u>2014</u>	<u>2013</u>
	<u>€000</u>	<u>€000</u>
Within one year	49	39
After one year but not more than five years	<u>70</u>	<u>25</u>
	<u><u>119</u></u>	<u><u>64</u></u>

Legal claims

There are no significant legal claims against the entity.

Other

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

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

The directors do not believe that, as of 31 December 2014, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

20. Financial risk management objectives and policies

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

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

Interest rate risk

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

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20. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

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

	<u>Increase/ decrease in basis points</u>	<u>Effect on loss before tax</u>
		€000
2014		
Loans in BGN	+100	(51)
Loans in BGN	-100	51
2013		
Loans in BGN	+100	(54)
Loans in BGN	-100	54

Liquidity risk

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

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2014 and 31 December 2013 based on contractual undiscounted payments.

As at 31 December 2014

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
	€000	€000	€000	€000	€000	€000
Payables to related parties	4,215	5,239	-	-	-	9,454
Trade and other payables	-	352	-	-	-	352
	<u>4,215</u>	<u>5,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,806</u>

As at 31 December 2013

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
	€000	€000	€000	€000	€000	€000
Finance lease liabilities	-	21	56	-	-	77
Payables to related parties	7,812	835	-	-	-	8,647
Trade and other payables	-	369	-	-	-	369
	<u>7,812</u>	<u>1,225</u>	<u>56</u>	<u>-</u>	<u>-</u>	<u>9,093</u>

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20. Financial risk management objectives and policies (continued)

Foreign exchange risk

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

Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 13. As of 31 December 2014 40% of the total trade receivables (gross) of the Company are concentrated in two key customers. The credit risk is managed through regular contact with clients and ongoing monitoring of the overdue receivables.

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

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the sole owner, return capital to the sole owner or issue new shares, following sole owner's approval. No changes were made in the objectives, policies or processes during the year ended 31 December 2014 and 2013.

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

	<u>2014</u>	<u>2013</u>
	€000	€000
EBITDA	<u>6</u>	<u>(559)</u>

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

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21. Fair value of financial instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements:

	<i>Carrying amount</i>		<i>Fair value</i>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	€000	€000	€000	€000
<i>Financial assets</i>				
Trade receivables	3,018	2,554	3,018	2,554
Cash and cash equivalents	17	40	17	40
Receivables from related parties	1	-	1	-
<i>Financial liabilities</i>				
Payables to related parties	9,454	8,647	9,454	8,647
Trade payables	341	355	341	355
Finance lease liabilities	-	75	-	75

The fair value of the financial assets and liabilities is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments;
- The fair value of variable-rate interest bearing loans is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities. The fair value approximates their carrying value. The own non-performance risk as of 31 December 2014 and 31 December 2013 was assessed to be insignificant.

22. Events after the reporting period

The loan received from Zlatna Panega Cement AD with repayment date 31 January 2015 was renewed with annex dated 1 February 2015 until 28 February 2015 at the same terms and conditions.

Apart from that, no other significant events have been identified after the reporting period that may influence the financial statements.