



**ZLATNA PANEGA CEMENT AD
INDEPENDENT AUDITOR'S REPORT
ANNUAL DIRECTORS' REPORT
ANNUAL SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2016**

ZLATNA PANEGA CEMENT AD

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Independent Auditor's Report

To the Shareholders of Zlatna Panega Cement AD

Report on the audit of the separate financial statements

Our opinion

We have audited the separate financial statements of Zlatna Panega Cement AD (the "Company"), which comprise the separate balance sheet as at 31 December 2016, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and the notes to the separate financial statements, which include a summary of significant accounting policies.

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the Commission's interpretation as described in Note 2.1.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Independent Audit Act that are relevant to our audit of the financial statements in Bulgaria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Independent Audit Act.

Information Other than the Separate Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information obtained at the date of this auditor's report comprises *the Annual Activity Report*, prepared by the management but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.



In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Additional Matters to be reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the Annual Activity, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA), issued on 29 November 2016 and approved by its Management Board on 29 November 2016. These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion on whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- a) The information included in the Annual Activity Report for the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements.
- b) The Annual Activity Report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of management for the separate financial statements

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

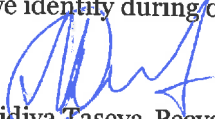
Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Lidiya Taseva-Peeva

Registered Auditor



Tsvetana Tsankova

PricewaterhouseCoopers Audit OOD

8 March 2017

Sofia, Bulgaria



ZLATNA PANEGA CEMENT AD

General Information

Directors

Alexandar Nakov Chakmakov
Konstantinos Derdemezis
Christos Panagopoulos
Fokion Tasoulas
Loukas Petkidis

Registered office

Zlatna Panega Village, Lovech District,
No 1 Shipka Street

Solicitors

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

Bankers

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

Auditors

PricewaterhouseCoopers Audit OOD
9-11 Maria Louisa Blvd.
1000 Sofia, Bulgaria

ZLATNA PANEGA CEMENT AD

DIRECTORS' REPORT

For the year ended 31 December 2016

DIRECTORS' REPORT

The Directors present their report and the annual separate financial statements that have been prepared in accordance with International Financial Reporting Standards, as adopted for use in the European Union for the year ended 31 December 2016.

GENERAL INFORMATION

The Company is registered in the Republic of Bulgaria and its address and its location are in Zlatna Panega village, "Shipka" street No 2. The principal activity of the Company includes production and sales of cement.

BUSINESS RISKS

The major financial liabilities of the Company include interest bearing loans, other liabilities and trade payables. The primary target of these financial instruments is that financing of the activity of the Company to be secured. The Company possesses financial assets, such as trade and other receivables, cash and equivalents, which origin derives from the activity of the Company

The major risks, that occur from the financial instruments of the Company are interest bearing risk, liquidity risk, currency risk and credit risk. The policy, applied by the Management of the Company is for management of all these risk is summarized in Note 25 of the Financial Statements of the Company.

BUSINESS DESCRIPTION

Current period results

The result for the year is considered positive since the profit after tax of the Company amounted to EUR 402 thousand (2015: EUR 2,373 thousand). During the period the Company produced 536 tons of cement (2015: 561 thousand tons). and sold 528 thousand tons of cement (2015: 628 thousand tons).

Dividends and distribution of profits

At the General Meeting of Shareholders held on 27 May 2016, a decision was taken not to distribute dividends (2015: EUR nil).

Ecological requirements

The Company has continuous monitoring of the dust emissions in the waste gases produced from Kiln 4 and Kiln 5, the grate coolers 4 and 5, the coal mill and Cement Mill 8. Other monitored parameters are nitrogen oxides, sulphur oxides, carbon oxide and total organic carbon of kiln 4 and kiln 5. Periodically are monitored the emissions of hydrogen chloride and hydrogen fluoride, heavy metals, dioxins and furanes and ammonia in the waste gases from the both kilns and also the dust emissions from all other dust producing sources in the production area.

No exceeding of the limits of emissions defined as per the Environmental permit are registered in 2016. Periodical analyses are made of waste water, that leave the territory of the plant and also the noise at the border of the plant. All these analysis show no deviations from the norms

Share capital structure

Shareholders	Percentage	Number of shares	Nominal value (EUR thousands)
Aemos Cement Limited, Cyprus	99.99	32,169,338	16,448
Individuals and State of Bulgaria	0.01	3,689	2
	100	32,173,027	16,450

In November 2016 REA Cement Limited, Cyprus merged in its sole owner Aemos Cement Limited Cyprus.

ZLATNA PANEGA CEMENT AD
DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2016

Investments

As at 31 December 2016 Zlatna Panega Cement AD holds interests in the following subsidiaries and associates:
The Company is 100% owner of Zlatna Panega Beton EOOD, Gravel and Sand Pits Bulgaria EAD ("GSPB"). These investments are carried at cost as at 31 December 2016. Through GSPB, the Company has an interest of 48.77% in the capital of Holcim Karierni Materiali AD, a 48.72% interest in Holcim Karierni Materiali Plovdiv AD, a 100% interest in Double V Co Ltd., Ruse and significant influence with interest of 48.77 % in Vris EOOD.

In addition, as of 31 December 2016 the Company has a 9% (2015: 9%) participation in Granitoid AD (the majority shares of which are owned by Aemos Cement Limited).

Financial Indicators

The Company monitors its equity capital using gearing ratio that as of 31 December 2016 is 16.11% (31 December 2015: 12.60%) and earnings before interest, tax, depreciation and amortization (EBITDA) for the period that as 31 December 2016 is EUR 6,458 thousand (31 December 2015: EUR 8,529 thousand)

Events after the reporting date

On 10 October 2016 an agreement was concluded between Zlatna Panega Cement AD and Zlatna Panega Beton EOOD that the two entities will merge, where Zlatna Panega Cement AD is the acquiring entity and Zlatna Panega Beton EOOD discontinued its existence. The merger of Zlatna Panega Cement AD and Zlatna Panega Beton EOOD has been registered by Registration Agency on 4 January 2017.

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

Research and Development activity of the Company

The Company did not perform any activity, related with research and development in 2016.

Disclosure for acquisition of own shares

The Company has not acquired own shares in 2016 and has no transactions of such transactions

Branches of the Company

The Company has no branches.

OBJECTIVES OF THE COMPANY FOR 2017

The Directors are set to achieve the following objectives for 2017:

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

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

CORPORATE GOVERNANCE

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

ZLATNA PANEGA CEMENT AD
DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2016

As of 31 December 2016 the Board of Directors consists of:

1. Alexandar Nakov Chakmakov
2. Konstantinos Derdemezis
3. Christos Panagopoulos
4. Fokion Tasoulas
5. Loukas Petkidis

Alexander Nakov Chakmakov is the Company's Executive Director.

In 2016 no shares of the Company were acquired or assigned by the members of the Board of Directors. The members do not have rights to acquire shares and bonds of the Company.

The participation of the members of the Board of Directors of the Company as unlimited liability shareholders, ownership more than 25% of the share capital of other companies, as well as participation in the management of their companies is as follows:

Alexander Chakmakov owns 50% of the shares of Stroycem OOD,, member of the Management Board of CSKA Forever Association, member of the Board of Directors of of Holcim Karierni Materiali Plovdiv AD and Holcim Karierni Materiali AD, chairman and member of the Management Board of the Bulgarian Association of Cement Industry.

Alexander Chakmakov, Kostadinos Derdemezis, Christos Panagopoulos, Fokion Tasoulas and Lukas Petkidis are members of the Board of Directors of Granitoid AD, Gravel and Sand Pits Bulgaria EAD and Executive Director is Alexander Chakmakov

Remuneration of the Board of Directors

The members of the Board of Directors have received 175 thousand EUR in 2016.

Contracts, concluded with members of the Board of Directors

During the reporting period there are no contracts concluded by the company with any member of the Board of the directors that deviate of the ordinary activity of the Company or that deviate from the market conditions

Directors' responsibilities

The Directors 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 separate financial statements for year ended 31 December 2016.

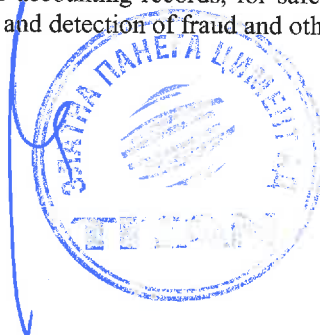
The Directors also confirm that applicable accounting standards have been followed and that the annual separate financial statements have been prepared on a going concern basis.

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

Alexandar Chakmakov
Executive director

Zlatna Panega Cement AD
Zlatna Panega

17 February 2017



ZLATNA PANEGA CEMENT AD
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2016

	Notes	2016	2015
		€000	€000
Sale of cement products		29,719	34,573
Rendering of transport services		5,601	6,655
Revenue		35,320	41,228
Cost of sales	4.1	(29,895)	(32,914)
Gross profit		5,425	8,314
Other income	4.7	822	332
Selling and distribution costs	4.2	(464)	(433)
Administrative expenses	4.3	(4,507)	(4,451)
Other expenses	4.4	(563)	(698)
Operating profit		713	3,064
Finance income	4.8	123	164
Finance costs	4.9	(371)	(584)
Profit before tax		465	2,644
Income tax expense	5	(63)	(271)
Profit for the year		402	2,373
Actuarial losses on defined benefit plans	20	(31)	(79)
Income tax effect	5	3	8
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net		(28)	(71)
Total comprehensive income for the year		374	2,302

The financial statements have been approved on 17 February 2017 and signed as follows:

Alexander Chakmakov
Chief Executive Officer

Galina Todorova
Chief Accountant

Initialled for identification purposes in reference to the auditor's report:

Lidiya Taseva
Registered Auditor
07.03.2017

Tsvetana Tsankova
PricewaterhouseCoopers Audit OOD
08.03.2017



ZLATNA PANEGA CEMENT AD
SEPARATE BALANCE SHEET
As of 31 December 2016

	Notes	2016 €000	2015 €000
ASSETS			
Non-current assets			
Property, plant and equipment	7	66,080	66,889
Investment property	8	719	806
Intangible assets	9	166	179
Investments in subsidiaries	10.1	8,490	8,490
Available-for-sale investment	10.2	24	24
Long - term trade receivables	14	-	-
Other financial assets	11	112	102
		<u>75,591</u>	<u>76,490</u>
Current assets			
Inventories	13	10,834	7,801
Trade and other receivables	14	5,253	4,724
Receivables from related parties	22	7,672	7,129
Loans to related parties	22	4,710	4,718
Prepayments	15	54	167
Cash and cash equivalents	16	103	144
		<u>28,626</u>	<u>24,683</u>
Assets held for sale	12	-	202
		<u>28,626</u>	<u>24,885</u>
TOTAL ASSETS		<u>104,217</u>	<u>101,375</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	17.1	28,602	28,602
Legal reserve	17.2	1,645	1,645
Retained earnings		49,525	49,151
Total equity		<u>79,772</u>	<u>79,398</u>
Non-current liabilities			
Interest-bearing loans from banks	18	9,815	8,227
Restoration provision	19	2,289	2,259
Retirement benefit liability	20	415	356
Deferred tax liability	5	679	792
		<u>13,198</u>	<u>11,634</u>
Current liabilities			
Trade and other payables	21	5,239	5,727
Finance lease liabilities	24	-	-
Interest - bearing loans from banks	18	5,611	3,361
Income tax payable		20	58
Payables to related parties	22	364	1,181
Loans from related parties	22	13	16
		<u>11,247</u>	<u>10,343</u>
Total liabilities		<u>24,445</u>	<u>21,977</u>
TOTAL EQUITY AND LIABILITIES		<u>104,217</u>	<u>101,375</u>

The financial statements have been approved on 17 February 2017 and signed as follows:

Alexander Chakmakov
Chief Executive Officer

Galina Todorova
Chief Accountant

Initialled for identification purposes in reference to the auditor's report:

Lidiya Taseva
Registered Auditor
09.03.2017

Tsvetana Tsankova
PricewaterhouseCoopers Audit OOD
08.03.2017

ZLATNA PANEGA CEMENT AD
SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2016

	Issued capital (Note 17.1) €000	Legal reserve (Note 17.2) €000	Retained earnings €000	Total €000
At 1 January 2015	28,602	1,645	46,849	77,096
Profit for the year	-	-	2,373	2,373
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net	-	-	(71)	(71)
Total comprehensive income for the year	-	-	2,302	2,302
At 31 December 2015	28,602	1,645	49,151	79,398
At 1 January 2016	28,602	1,645	49,151	79,398
Profit for the year	-	-	402	402
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net	-	-	(28)	(28)
Total comprehensive income for the year	-	-	374	374
At 31 December 2016	28,602	1,645	49,525	79,772

The financial statements have been approved on 17 February 2017 and signed as follows:

Alexander Chakmakov
Chief Executive Officer

Galina Todorova
Chief Accountant

Initialled for identification purposes in reference to the auditor's report:

Lidiya Taseva
Registered Auditor
08.03.2017

Tsvetana Tsankova
PricewaterhouseCoopers Audit OOD
08.03.2017



ZLATNA PANEGA CEMENT AD
SEPARATE STATEMENT OF CASH FLOW
For the year ended 31 December 2016

	Notes	2016	2015
		€000	€000
OPERATING ACTIVITIES			
Profit before income tax		465	2,644
Adjustments to reconcile profit before income tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	5,685	5,427
Amortisation of intangible assets	9	60	38
(Profit)/Loss on disposal of property, plant and equipment	4.7, 4.4	9	(132)
Impairment loss of investment property	8	10	11
Movement in doubtful debt allowance	14	277	344
Movement in restoration provision	19	30	31
Expenses for employee benefit liability	20	39	28
Interest income	4.8	(123)	(164)
Interest expense	4.9	139	429
Working capital adjustments:			
(Increase)/Decrease in inventories		(3,033)	(377)
(Increase)/Decrease in trade and other receivables		(1,347)	(1,914)
Increase/(Decrease) in prepayments		70	118
Increase in other financial assets		(10)	(10)
Increase in trade and other payables		(305)	3,162
Income tax (paid)/received		(211)	(226)
Net cash flows from operating activities		1,755	9,409
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		279	2,286
Purchase of property, plant and equipment		(5,858)	(6,409)
Purchase of intangible assets		(47)	(98)
Purchase of Investment Property		-	(22)
Decrease in capital of subsidiaries		-	3
Loans granted to related parties		(4)	(132)
Interest received		133	151
Net cash flows used in investing activities		(5,497)	(4,221)
FINANCING ACTIVITIES			
Proceeds from interest-bearing loans		29,181	29,229
Repayment of interest-bearing loans		(25,344)	(33,941)
Payments of finance lease liabilities		-	(3)
Interest paid		(136)	(428)
Net cash flows used in financing activities		3,701	(5,143)
Net increase/(decrease) in cash and cash equivalents		(41)	45
Cash and cash equivalents at 1 January		144	99
Cash and cash equivalents at 31 December	16	103	144

The financial statements have been approved on 17 February 2017 and signed as follows:

Alexander Chakmakov
Chief Executive Officer

Initialled for identification purposes in reference to the auditor's report:

Lidiya Taseva
Registered Auditor

08.03.2017

Galina Todorova
Chief Accountant

Tsvetana Tsankova
PricewaterhouseCoopers Audit OOD

08.03.2017

The notes set out on pages 8-50 are integral part of these financial statements

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2016

1. Corporate information

The annual separate financial statements of Zlatna Panega Cement AD (the Company) for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the Board of Directors on 17 February 2017.

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

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

As of 31 December 2016 the Company was owned by:

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

The Ultimate Parent Company is Titan Cement Company S.A., Greece, a company listed on the Athens Stock Exchange.

2.1. Basis of preparation

The annual separate financial statements have been prepared on a going concern and historical cost basis except for investment properties which are stated at fair value and non-assets held for sale which are stated at the lower of their carrying value or fair value less costs to sell. 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 separate financial statements of Zlatna Panega Cement AD have been prepared in accordance with International Financial Reporting Standards, as adopted for use in the European Union (IFRS). IFRSs as adopted by the EU is the commonly accepted name of the general purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act “International Accounting Standards” (IASs).

The preparation of these separate financial statements of the Company is required by the ultimate parent company for its consolidation. Therefore, these are the separate financial statements of Zlatna Panega Cement AD where the investments in subsidiaries are accounted for at cost.

At the time of approval of these separate financial statements the Company has not prepared the related consolidated financial statements in accordance with IFRS for the Company and its subsidiaries (the "Group") as required by IFRS 10. The Company applied an interpretation contained in the agenda paper issued by the European Commission Internal Market and Services for the meeting of the Accounting Regulatory Committee (document ARC/08/2007) about relationship between the IAS regulation and the 4th and 7th Company Law Directives. The Commission Services Department was of the opinion that, if a company chooses or is required to prepare its separate financial statements in accordance with IFRS as adopted by the European Union, it can prepare and file them independently from the preparation and filing of its consolidated financial statements.

In the consolidated financial statements, subsidiary undertakings - which are those companies in which the Group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations - will be fully consolidated.

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2016, as soon as they become available in order to obtain full information on the financial position, results of operations and cash flows of the Group as a whole.

The Company has presented a separate set of statutory financial statements in Bulgarian, expressed in Bulgarian leva, in accordance with IFRS, as adopted for use in the EU. The statutory financial statements were authorized for issue by the Board of Directors on 17 February 2017.

2.1. Basis of preparation (continued)

(i) New and amended standards adopted by the Company effective as of 1 January 2016 and endorsed by EU

The following endorsed by EU standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2016:

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11

The amendments to IFRS 11 clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. This includes:

- measuring identifiable assets and liabilities at fair value
- expensing acquisition-related costs
- recognising deferred tax, and
- recognising the residual as goodwill, and testing this for impairment annually.

Existing interests in the joint operation are not re-measured on acquisition of an additional interest, provided joint control is maintained. The amendments also apply when a joint operation is formed and an existing business is contributed.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38

The amendments clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. The IASB has amended IAS 16 Property, Plant and Equipment to clarify that a revenue-based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38 Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either

- The intangible asset is expressed as a measure of revenue (i.e. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

Equity method in separate financial statements - Amendments to IAS 27

The IASB has made amendments to IAS 27 Separate Financial Statements which will allow entities to use the equity method in their separate financial statements to measure investments in subsidiaries, joint ventures and associates. IAS 27 currently allows entities to measure their investments in subsidiaries, joint ventures and associates either at cost or as a financial asset in their separate financial statements. The amendments introduce the equity method as a third option. The election can be made independently for each category of investment (subsidiaries, joint ventures and associates). Entities wishing to change to the equity method must do so retrospectively.

Agriculture: Bearer Plants - Amendments to IAS 16 and IAS 41

IAS 41 Agriculture now distinguishes between bearer plants and other biological asset. Bearer plants must be accounted for as property plant and equipment and measured either at cost or revalued amounts, less accumulated depreciation and impairment losses. A bearer plant is defined as a living plant that:

- is used in the production or supply of agricultural produce
- is expected to bear produce for more than one period, and
- has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Agricultural produce growing on bearer plants remains within the scope of IAS 41 and is measured at fair value less costs to sell with changes recognised in profit or loss as the produce grows.

2.1. Basis of preparation (continued)

(i) New and amended standards adopted by the Company effective as of 1 January 2016 and endorsed by EU (continued)

Annual Improvements to IFRSs 2012-2014 cycle

The latest annual improvements clarify:

- IFRS 5 - when an asset (or disposal Company) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such
- IFRS 7 - specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition
- IFRS 7 - that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34
- IAS 19 - that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise
- IAS 34 - what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'; entities taking advantage of the relief must provide a cross-reference from the interim financial statements to the location of that information and make the information available to users on the same terms and at the same time as the interim financial statements.

Disclosure Initiative – Amendments to IAS 1

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including:

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance.
- Disaggregation and subtotals - line items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals.
- Notes - confirmation that the notes do not need to be presented in a particular order.
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity-accounted investments is Companyed based on whether the items will or will not subsequently be reclassified to profit or loss. Each Company should then be presented as a single line item in the statement of other comprehensive income.

According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments.

Investment entities: Applying the consolidation exception - Amendments to IFRS 10, IFRS 12 and IAS 28

Amendments made to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures clarify that:

- The exception from preparing consolidated financial statements is also available to intermediate parent entities which are subsidiaries of investment entities.
- An investment entity should consolidate a subsidiary which is not an investment entity and whose main purpose and activity is to provide services in support of the investment entity's investment activities.
- Entities which are not investment entities but have an interest in an associate or joint venture which is an investment entity have a policy choice when applying the equity method of accounting. The fair value measurement applied by the investment entity associate or joint venture can either be retained, or a consolidation may be performed at the level of the associate or joint venture, which would then unwind the fair value measurement.

2.1. Basis of preparation (continued)

(i) New and amended standards adopted by the Company effective as of 1 January 2016 and endorsed by EU (continued)

Amendments to IAS 19: Defined Benefit Plans: Employee Contributions (issued on 21 November 2013)

Annual Improvements to IFRSs 2010–2012 Cycle (issued on 12 December 2013)

As these amendments merely clarify the existing requirements, they do not affect the Company's accounting policies or any of the disclosures.

(ii) Forthcoming requirements

The following standards and interpretations had been issued but were not mandatory for annual reporting periods ending 31 December 2016.

IFRS 9 Financial Instruments and associated amendments to various other standards

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in their own credit risk in other comprehensive income rather than profit or loss. The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices.

As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

For financial years commencing before 1 February 2015, entities could elect to apply IFRS 9 early for any of the following:

- the own credit risk requirements for financial liabilities
- classification and measurement (C&M) requirements for financial assets
- C&M requirements for financial assets and financial liabilities, or
- C&M requirements for financial assets and liabilities and hedge accounting.

After 1 February 2015, the new rules must be adopted in their entirety.

2.1. Basis of preparation (continued)

(ii) Forthcoming requirements (continued)

Impact

The Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Company has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 Financial Instruments and associated amendments to various other standards is effective as of 1 January 2018 and it is endorsed by EU.

IFRS 15 Revenue from contracts with customers and associated amendments to various other standards

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and
- recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) - minimum amounts must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

2.1. Basis of preparation (continued)

(ii) Forthcoming requirements (continued)

Impact

Management is currently assessing the effects of applying the new standard on the Company's financial statements. At this stage, the Company is not able to estimate the impact of the new rules on the Company's financial statements. The Company will make more detailed assessments of the impact over the next twelve months.

IFRS 15 Revenue from contracts with customers (issued on 28 May 2014) including amendments to IFRS 15 (issued on 11 September 2015) is effective as of 1 January 2018 and it is endorsed by EU.

(iii) Forthcoming requirements not yet endorsed by EU

The following standards and interpretations had been issued but are not mandatory for annual reporting periods ending 31 December 2016 and are not yet endorsed by EU.

IFRS 16 Leases will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Impact

The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company has non-cancellable operating lease commitments of EUR 413 thousand, see Note 24. However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

IFRS 16 Leases is effective as of 1 January 2019. Early adoption is permitted only if IFRS 15 is adopted at the same time. The standard is expected to be endorsed by EU in the second half of 2017.

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12

Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

2.1. Basis of preparation (continued)

(iii) Forthcoming requirements not yet endorsed by EU (continued)

Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 is effective as of 1 January 2017. It is expected to be endorsed by EU in the second quarter of 2017.

Disclosure Initiative - Amendments to IAS 7

Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

Disclosure Initiative - Amendments to IAS 7 is effective as of 1 January 2017 and it is expected to be endorsed by EU in the second quarter of 2017.

Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28

The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. In December the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.

Clarifications to IFRS 15 Revenue from Contracts with Customers (issued on 12 April 2016) is effective as of 1 January 2018 and it is expected to be endorsed in the second quarter of 2017.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (issued on 20 June 2016) is effective as of 1 January 2018 and it is expected to be endorsed in the second half of 2017.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued on 12 September 2016) is effective as of 1 January 2018 and it is expected to be endorsed in 2017.

Annual Improvements to IFRS Standards 2014-2016 Cycle (issued on 8 December 2016) is effective as of 1 January 2017 and 2018 and it is expected to be endorsed in the second half of 2017.

Amendments to IAS 40: Transfers of Investment Property (issued on 8 December 2016) is effective as of 1 January 2018 and it is expected to be endorsed in the second half of 2017.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016) is effective as of 1 January 2018 and it is expected to be endorsed in the second half of 2017.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2016

2.2. Summary of significant accounting policies

a) Foreign currency translation

The separate financial statements are presented in Euros while the functional currency of the Company is Bulgarian Lev (BGN). The Company uses Euro as a presentation currency due to the requirement of the ultimate parent company which is the main user of these financial statements.

As at the reporting date, the assets, liabilities, equity, revenue and expenses of the Company are translated into the presentation currency at the fixed rate of BGN/EUR of 1.95583 (or EUR/BGN of 0.51129) quoted by the Bulgarian National Bank. BGN is pegged to the EUR at the exchange rate of 1.95583 as from 1 January 2002 (BGN was pegged to the DEM as from 1 July 1997, with the introduction of the Currency Board in Bulgaria). In connection to the translation (from functional to presentation currency) no foreign exchange differences have arisen.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated on a monthly basis by applying the exchange rate published by the Bulgarian National Bank for the last working day of the respective month. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, 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 recognised:

Sale of goods

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

Rendering of services

Revenue from transport services is recognised over the period during which the service is performed, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Rental income

Rental income as a result of operating leases is recognised on a straight-line basis over the lease term.

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 separate statement of comprehensive income.

Dividend income

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

c) Taxes

Current income tax

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

2.2. Summary of significant accounting policies (continued)

c) Taxes (continued)

Current income tax (continued)

Current income tax is recognised directly in the equity (and not in profit or loss) where the tax relates to items that have been recognised outside profit or loss. Management analyses periodically the individual items of the tax return for which the applicable tax provisions are subject to interpretation and recognises provisions where appropriate.

Deferred income tax

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

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

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

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

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

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

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

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

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

Value added tax

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

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

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

2.2. Summary of significant accounting policies (continued)

d) Financial instruments - initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Investments in subsidiaries

Investments in subsidiaries are measured at cost (according to IAS 27 Separate financial statements para. 10 (a)) in these separate financial statements. Further details are given in Note 2.1 above and Note 11.1.

Loans and receivables

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

Available-for-sale financial investments

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

Derecognition

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

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

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

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.

2.2. Summary of significant accounting policies (continued)

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

Financial assets (continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

Available-for-sale financial investments

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

Financial liabilities

Initial recognition

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

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

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

2.2. Summary of significant accounting policies (continued)

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

Financial liabilities (continued)

Subsequent measurement

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

Interest bearing loans and borrowings

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

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

Other non-interest bearing financial liabilities

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

Derecognition

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

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

e) Offsetting of financial instruments

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

f) Fair value measurement

The Company measures investment properties and non-current assets held for sale are stated at the lower of carrying amount and fair value less cost to sell at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 26. Fair values of non-financial assets such as non-current assets held for sale are disclosed in Note 12.

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.

2.2. Summary of significant accounting policies (continued)

f) Fair value measurement (continued)

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

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.

The Company's management determines the policies and procedures for both recurring fair value measurement, such as investment properties, and for non-recurring measurement, such as non-current assets held for sale.

External valuers are involved for valuation of significant assets, such as investment properties and non-current assets held for sale. 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) Issued capital

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

2.2. Summary of significant accounting policies (continued)

h) Non-current assets held for sale or for distribution to equity holders 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 in the balance sheet.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations,
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

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 12.

i) Property, plant and equipment

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

Depreciation commences from the date the asset is available for use. Land is not depreciated as it is deemed to have an indefinite life. Assets under construction are not depreciated as not yet available for use.

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

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

Spare parts

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

- The spare parts are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes;
- The spare parts are expected to be used during more than one period;
- It is probable that future economic benefits associated with the item will flow to the entity;
- The cost of the item can be measured reliably;

2.2. Summary of significant accounting policies (continued)

i) Property, plant and equipment (continued)

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

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

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

j) Leases

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

Company as a lessee

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

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 on a straight-line basis over the lease term.

Company as a lessor

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

k) Investment properties

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

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

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

2.2. Summary of significant accounting policies (continued)

l) Borrowing costs

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

m) Intangible assets

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

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

Concession rights	20 years
Licences	10 years
Computer software	10 years

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

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

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

CO2 emission rights

Emission rights are tested for impairment annually or when circumstances indicate that the carrying value may be impaired by comparing its carrying amount with its recoverable amount. An impairment charge is recognised in profit or loss in other operating expenses.

n) Inventories

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

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

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

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

2.2. Summary of significant accounting policies (continued)

o) Impairment of non-financial assets

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

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

p) 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 separate cash flow statement, cash and cash equivalents consist of cash as defined above.

q) Provisions

General

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

Restoration provision

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

r) Employee benefits

Short-term employee benefits include salaries, bonuses, 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 21.

2.2. Summary of significant accounting policies (continued)

r) Employee benefits (continued)

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

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 expense"
- Interest expense within "Finance costs".

s) CO₂ emission rights

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

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

3. Significant accounting judgments, estimates and assumptions

Judgements

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

Assessment of control over entities in which the Company holds less than 50% of voting rights

The Company adopted IFRS 10 in 2014. The application of IFRS 10 did not affect the accounting for the Company's 48.77% interest in Holcim Karierni Materiali AD and 48.72% interest in Holcim Karierni Materiali Plovdiv AD. At the date of initial application of IFRS 10 (1 January 2016), the Company assessed that it does not control Holcim Karierni Materiali AD and Holcim Karierni Materiali Plovdiv AD, and continues to treat them as associates in which it has significant influence. The assessment of control focused on which party exercises its voting rights sufficiently to determine the investees' operating and financing policies. The Company considers that as it does not hold the majority of the shares and voting rights, it does not control Holcim Karierni Materiali AD and Holcim Karierni Materiali Plovdiv AD.

Estimates and assumptions

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

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

Estimates and assumptions (continued)

Restoration provision

The Company recognizes a provision for quarry restoration. This requires the management to make estimates about the cost of materials, labour, third party services and other expenses necessary for the restoration activities. The estimation of these future costs is complex and requires management to make estimates and judgments because the obligation will be fulfilled in the future and the related contract and laws are often not clear regarding what is required. Furthermore, the resulting provision is further influenced by the changing technologies and, environmental, safety, business, political and statutory considerations. At 31 December 2016 the best estimate of the restoration provision was EUR 2,289 thousand (31 December 2015: EUR 2,259 thousand). Further details are provided in Note 19 to the separate financial statements.

Retirement benefits

The retirement benefit obligation is determined using actuarial valuation for financial year 2016. 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 2016 is EUR 415 thousand (31 December 2015: EUR 356 thousand). Further details are provided in Note 20 to the separate financial statements.

The Company expects to settle accumulated paid annual leave classified as short-term employee benefits as of 31 December 2016 of EUR 117 thousand (31 December 2015: EUR 107 thousand) (Note 21) 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 i) and Note 2.2 m).

Impairment of receivables

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful receivables, management bases its estimates on the ageing of accounts receivable, balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. At 31 December 2016 the best estimate of the allowance for impairment of receivables is EUR 1,304 thousand (31 December 2015: EUR 1,240 thousand). Further details are provided in Note 14.

Investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in profit or loss. As at 31 December 2016 the fair valuation of the investment property is made by an independent appraiser based on market comparables method and depreciated replacement cost method. Further details are provided in Note 8.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Non-current assets held for sale

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

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

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

Estimates and assumptions (continued)

Impairment of investment in subsidiaries

The Company tested whether investments in subsidiaries have suffered any impairment in accordance with the accounting policy. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations require the use of estimates and are based on pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

CO2 emission rights

A new National Allocation Plan (NAP) 2013 – 2020 of the European scheme for trading with CO2 quotas was approved and quotas have been allocated to entities until 2020. The new NAP suggests a new scheme for allocating CO2 quotas among scoped entities. The basic purpose of the Plan is to gradually decrease quotas ended up in zero quota allocation in 2027 for all sectors apart from electricity: decrease in quota allocation by 20% in 2013 and 70% in 2020. The approved quotas as per the new plan allocated to Zlatna Panega Cement AD for 2016 based on present production levels of clinker are gradually decreasing. For the period ending 31 December 2016 their amount is 749,700 tons. The allowance received in 2016 and the outstanding balance of the CO2 account in the registry will fully cover the estimated consumption of 477,412 tons CO2 for 2016.

4. Expenses and other revenues

4.1 Cost of sales

	<u>2016</u>	<u>2015</u>
	€000	€000
Variable costs		
Distribution expenses – freight	(5,646)	(6,671)
Kiln fuel	(5,253)	(6,698)
Electricity	(3,328)	(4,169)
Raw materials	(2,645)	(2,898)
Refractory	(739)	(365)
Fuel and oil	(260)	(358)
Grinding media	(104)	(117)
Other expenses	(914)	(881)
Fixed costs		
Depreciation	(5,421)	(5,157)
Plant salaries, wages and related expenses	(2,046)	(1,958)
Contract labour	(1,540)	(1,231)
Packaging costs (including related staff cost)	(1,055)	(919)
Repair and maintenance – spare parts	(963)	(774)
Insurance and taxes	(84)	(74)
Plant utilities	(66)	(81)
Amortization	(34)	(13)
Lining	(14)	(13)
Inventory change	1,685	652
Other fixed costs	(1,468)	(1,189)
	<u>(29,895)</u>	<u>(32,914)</u>

ZLATNA PANEGA CEMENT AD**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

4. Expenses and other revenues (continued)**4.2 Selling and distribution costs**

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Salaries and related expenses	(284)	(261)
Car related expenses	(62)	(53)
Advertising and promotion	(39)	(42)
Insurance and taxes	(20)	(20)
Travel - entertainment	(20)	(17)
Utilities	(11)	(10)
Other	(28)	(30)
	<u>(464)</u>	<u>(433)</u>

4.3 Administrative expenses

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Salaries and related expenses	(1,384)	(1,234)
Management fees	(832)	(1,067)
Security	(656)	(585)
Depreciation	(264)	(270)
Car related expenses	(204)	(174)
Utilities	(198)	(207)
Consultancy fees	(168)	(186)
Insurance and taxes	(121)	(120)
Travel – entertainment	(113)	(101)
Donations	(90)	(105)
Audit fees	(48)	(52)
Amortization	(26)	(25)
Repairs and maintenance	-	(9)
Other	(403)	(316)
	<u>(4,507)</u>	<u>(4,451)</u>

4.4 Other expenses

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Impairment of trade receivables (Note 14)	(287)	(344)
Expenses for demolition	(148)	(138)
Retirement benefit charge (Note 20)	(29)	(20)
Cost of goods, materials and scrap sold	(22)	(22)
Staff leaving indemnities	(12)	(17)
Impairment loss of Investment Property (Note 8)	(10)	(11)
Net movement in unused paid leave (Note 21)	(10)	(10)
Losses from sales of fixed assets	(9)	-
Expenses for canteen	(1)	(2)
Expenses pertaining to disposal of property, plant and equipment	-	(12)
Other	(35)	(122)
	<u>(563)</u>	<u>(698)</u>

ZLATNA PANEGA CEMENT AD**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

4. Expenses and other revenues (continued)**4.5 Expenses by nature**

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Materials used and recognised as an expense	(15,129)	(17,094)
Hired services	(11,637)	(12,294)
Depreciation (Note 7)	(5,685)	(5,427)
Employee benefits expense (Note 4.6)	(4,072)	(3,734)
Change in work in progress and finished goods	1,685	652
Amortisation (Note 9)	(60)	(38)
Other	(531)	(561)
Total cost of sales, selling and distribution, administrative and other expenses	<u>(35,429)</u>	<u>(38,496)</u>

4.6 Employee benefits expense

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Wages and salaries	(2,868)	(2,638)
Social security costs	(495)	(468)
Retirement benefits (Note 20)	(29)	(20)
Other related expenses	(680)	(608)
	<u>(4,072)</u>	<u>(3,734)</u>

4.7 Other income

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Electricity price subsidy	378	-
Sale of scrap and materials	257	17
Refund of excise	72	63
Sale of goods and rent of offices	56	30
Rendering of other services	34	74
Reversal of impairment of receivables (Note 14)	10	-
Profit on disposal of fixed assets	-	132
Other	15	16
	<u>822</u>	<u>332</u>

4.8 Finance income

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Interest income from loans provided to related parties (Note 22)	121	162
Bank accounts	2	2
	<u>123</u>	<u>164</u>

ZLATNA PANEGA CEMENT AD**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

4. Expenses and other revenues (continued)**4.9 Finance costs**

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Interest expenses:		
Bank loans and overdrafts	(139)	(428)
Loans received from related parties (Note 22)	-	(1)
Discounted deferred receivables	(101)	-
Fee expense	(91)	(107)
Effect from discounting of restoration provision (Note 19)	(27)	(31)
Other finance costs (Note 20)	(10)	(8)
Foreign exchange losses, net	(3)	(9)
	<u>(371)</u>	<u>(584)</u>

5. Income tax

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Current income tax charge	(173)	(288)
Deferred tax income	110	17
Income tax expense reported in profit or loss	<u>(63)</u>	<u>(271)</u>

Income tax related to items that are charged or credited directly to equity:

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Deferred tax income related to actuarial losses on retirement benefit liability	3	8
Deferred tax charged directly to other comprehensive income	<u>3</u>	<u>8</u>

In 2016 the nominal statutory tax rate is 10% (2015: 10%). For 2017 it remains unchanged.

Reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate for the years ended 31 December 2016 and 2015 are:

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Accounting profit before income tax	465	2,644
Income tax expense at statutory tax rate of 10% for 2016 (2015: 10%)	(47)	(264)
Expenses not deductible for tax purposes	(16)	(7)
Income tax expense	<u>(63)</u>	<u>(271)</u>

ZLATNA PANEGA CEMENT AD

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

5. Income tax (continued)

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

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

As of 31 December 2016 the Company considers that it is eligible for the following tax relieves as all the above mentioned requirements of CITA are considered satisfied:

- EUR 4,010 thousand related to qualifying capital expenditure project "Vertical Cement Mill" (with total budgeted amount of EUR 10,000 thousand) declared in 2007 annual tax return. This tax relief was recognised as a reduction of current income tax expense in the separate statement of comprehensive income for the financial year 2008.
- EUR 1,331 thousand related to qualifying capital expenditure project "Raw Material silos" (with total budgeted amount of EUR 3,000 thousand) which was declared in 2008 annual tax return. This tax relief was recognised as a reduction of current income tax expense in the separate statement of comprehensive income for the financial year 2008.
- EUR 141 thousand related to qualifying capital expenditure project "Tyres feeding installation for Kiln 5" (with total budgeted amount of EUR 300 thousand) which was declared in 2009 annual tax return. This tax relief was recognised as a reduction of current income tax expense in the separate statement of comprehensive income for the financial year 2009.

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5. Income tax (continued)

- EUR 2,309 thousand related to qualifying capital expenditure project "RDF Installation" (with total budgeted amount of EUR 4,793 thousand) which was declared in 2010 annual tax return. This tax relief was recognized as a reduction of current income tax expense in the separate statement of comprehensive income for the financial year 2010 and 2011.
- EUR 491 thousand related to qualifying capital expenditure project SNCR (the selective noncatalytic reduction) installation that is carried out in 2013 and 2014 with total budgeted amount of EUR 1,000 thousand. This tax relief was recognised as a reduction of current income tax expense in the separate statement of comprehensive income for the financial year 2012.

Deferred income tax at 31 December 2016 and 31 December 2015 relates to the following:

	Balance Sheet		Profit or loss for the year		Other Comprehensive Income	
	2016	2015	2016	2015	2016	2015
	€000	€000	€000	€000	€000	€000
<i>Deferred tax liability</i>						
Accelerated depreciation for tax purposes	1,101	1,188	87	3	-	-
	<u>1,101</u>	<u>1,188</u>				
<i>Deferred tax asset</i>						
Unused leave allowance	(12)	(11)	1	1	-	-
Restoration provision	(229)	(226)	3	3	-	-
Retirement benefits	(41)	(35)	3	1	3	8
Impairment of receivables	(140)	(124)	16	16	-	-
Impairment loss to fair value less costs to sell	-	-	-	(7)	-	-
	<u>(422)</u>	<u>(396)</u>				
Deferred tax income/(expense)			<u>110</u>	<u>17</u>	<u>3</u>	<u>8</u>
Deferred tax liability, net	<u>679</u>	<u>792</u>				

Reconciliation of deferred tax liability:

	2016	2015
	€000	€000
Opening balance as of 1 January	792	817
Tax income during the period, recognized in profit or loss	(110)	(17)
Tax income during the period, recognized in other comprehensive income	(3)	(8)
Closing balance as of 31 December	<u>679</u>	<u>792</u>

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5. Income tax (continued)

	2016	2015
	€000	€000
Deferred tax asset		
Deferred tax asset to be recovered after more than 12 months	(270)	(261)
Deferred tax asset to be recovered within 12 months	(152)	(135)
	<u>(422)</u>	<u>(396)</u>
Deferred tax liability		
Deferred tax liability to be recovered after more than 12 months	1,101	1,188
	<u>1,101</u>	<u>1,188</u>
Deferred tax liabilities (net)	<u>679</u>	<u>792</u>

6. Fair value measurement

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures of fair value measurement hierarchy as of 31 December 2016 and 31 December 2015

	Date of valuation	Fair value measurement using			
		Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Loans and receivables (Note 22)					
Floating loans to related parties	31.12.2016	4,627	-	4,627	-
Floating loans to related parties	31.12.2015	4,641	-	4,641	-
Fixed rate loans to related parties	31.12.2016	83	-	-	83
Fixed rate loans to related parties	31.12.2015	77	-	-	77
Investment properties (Note 8)					
Retail property	31.12.2016	719	-	-	719
Retail property	31.12.2015	806	-	-	806
Assets held for sale measured at lower of carrying amount and fair value less costs to sell (Note 12)					
Land	31.12.2016	-	-	-	-
Land	31.12.2015	2	-	-	2
Residential apartments	31.12.2016	-	-	-	-
Residential apartments	31.12.2015	200	-	-	200
Liabilities for which fair values are disclosed:					
Interest-bearing loans					
Floating rate loans (Note 18)	31.12.2016	15,426	-	15,426	-
Floating rate loans (Note 18)	31.12.2015	11,588	-	11,588	-
Floating rate loans from related	31.12.2016	13	-	13	-
Floating rate loans from related	31.12.2015	16	-	16	-

There have been no transfers between Level 1 and Level 2 during the period.

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For the year ended 31 December 2016

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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 2015	20,680	91,205	2,337	1,374	13,049	128,645
Additions	5	-	-	1	5,619	5,625
Transfers	912	2,351	-	102	(3,365)	-
Transfers from Inventory		-	-	-	95	95
Transfers to Investment Property (Note 8)		-	-	-	(10)	(10)
Transfers to intangibles (Note 9)		-	-	-	(98)	(98)
Disposals	(233)	(4,199)	(953)	(9)	(1,514)	(6,908)
At 31 December 2015	21,364	89,357	1,384	1,468	13,776	127,349
At 1 January 2016	21,364	89,357	1,384	1,468	13,776	127,349
Additions	11	-	-	-	4,921	4,932
Transfers	1,646	13,632	52	82	(15,412)	-
Transfers to intangibles (Note 9)		-	-	-	(47)	(47)
Disposals	-	(855)	-	(34)	-	(889)
At 31 December 2016	23,021	102,134	1,436	1,516	3,238	131,345
Depreciation:						
At 1 January 2015	6,010	50,435	2,148	1,194	-	59,787
Depreciation charge for the year	753	4,535	77	62	-	5,427
Disposals	(203)	(3,618)	(924)	(9)	-	(4,754)
At 31 December 2015	6,560	51,352	1,301	1,247	-	60,460
At 1 January 2016	6,560	51,352	1,301	1,247	-	60,460
Depreciation charge for the year	806	4,784	19	76	-	5,685
Disposals	-	(846)	-	(34)	-	(880)
At 31 December 2016	7,366	55,290	1,320	1,289	-	65,265
Net book value:						
At 1 January 2015	14,670	40,770	189	180	13,049	68,858
At 31 December 2015	14,804	38,005	83	221	13,776	66,889
At 31 December 2016	15,655	46,844	116	227	3,238	66,080

As at 31 December 2016 major spare parts of EUR 1,589 thousand (2015: EUR 1,612 thousand) are included in Plant and Machinery. They are not available for use and therefore not depreciated.

Assets under construction

Assets under construction relate to major capital projects as Chlorine bypass, RK4 1st station and others.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

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7. Property, plant and equipment (continued)

Borrowing costs

As at 31 December 2016 borrowing costs of EUR 263 thousand (2015: EUR 0 thousand) were capitalized in the costs of qualifying assets.

Impairment of property, plant and equipment

Based on the review of the tangible fixed assets, the Company's management has not found indicators that the book value of the assets exceed their recoverable amount. Therefore, no impairment of property, plant and equipment has been recognized at 31 December 2016 (31 December 2015: Nil).

8. Investment property

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
At 1 January	806	61
Loss from measurement at fair value (Note 4.4)	(10)	(11)
Additions	-	31
Disposals	(77)	-
Transfer from assets held for sale (Note 12)	-	715
Transfers from PPE (Note 7)	-	10
Closing balance at the period end	<u>719</u>	<u>806</u>

As of 31 December 2016 a fair valuation of the investment property is made by an independent appraiser based on market comparables method. Based on the valuation made by the appraiser, the carrying amount of the investment property is equal to its fair value and therefore no change in the fair value is recognized in the profit or loss for the year.

The fair values of the properties are measured with the market comparables method by using observable offer prices of three comparable properties. The prices are significantly adjusted to reflect the location, usage, size and condition of the valued properties. Also the appraiser has offered an adjustment for offer discount in the used offers in order to reflect the difference between the offers and the actual prices of the deals. The measurement of the fair values is performed with effective date 31 December 2016.

Description of valuation techniques and key inputs used to determine the fair value as at 31 December 2016

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	Market Comparables Method	Estimated value per sq. m. on the basis of ask prices for comparable properties	€100 - € 105
		Ask price discount	10%-13%
Retail properties	Market Comparables Method	Estimated value per sq. m. on the basis of ask prices for comparable properties	€714 - € 1,062
		Ask price discount	17%-30%
Residential apartments	Market Comparables Method	Estimated value per sq. m. per month on the basis of ask prices for comparable properties	€178 - €1231
		Ask price discount	5% - 40%

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8. Investment property (continued)

Description of valuation techniques and key inputs used to determine the fair value as at 31 December 2015

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land	Market Comparables Method	Estimated value per sq. m. on the basis of ask prices for comparable properties	€112 - € 200
		Ask price discount	10%-20%
Retail properties	Market Comparables Method	Estimated value per sq. m. on the basis of ask prices for comparable properties	€688 - € 1,188
		Ask price discount	5%
Residential apartments	Market Comparables Method/ Depreciated replacement cost/ Capitalisation of income method	Estimated value per sq. m. per month on the basis of ask prices for comparable properties	€278 - €899
		Ask price discount	5% - 15%

9. Intangible assets

	Concession rights	Licences	Computer software	Total
	€000	€000	€000	€000
Cost:				
At 1 January 2015	41	112	243	396
Transfer from assets under construction (Note 7)	-	-	98	98
At 31 December 2015	41	112	341	494
At 1 January 2016	41	112	341	494
Disposals	-	-	(40)	(40)
Transfer from assets under construction (Note 7)	-	-	47	47
At 31 December 2016	41	112	348	501
Amortisation and impairment:				
At 1 January 2015	35	69	173	277
Amortisation charge for the year	2	22	14	38
At 31 December 2015	37	91	187	315
At 1 January 2016	37	91	187	315
Amortisation charge for the year	2	21	37	60
Disposals	-	-	(40)	(40)
At 31 December 2016	39	112	184	335
Net book value:				
At 1 January 2015	6	43	70	119
At 31 December 2015	4	21	154	179
At 31 December 2016	2	-	164	166

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9. Intangible assets (continued)

Impairment of intangible assets

The Company has carried out a review for existence of impairment indicators at 31 December 2016. No indicators have been found that the carrying amount of the intangible assets exceeds their recoverable amount and therefore, no impairment loss has been recognised in the separate financial statements.

10. Investments

10.1 Investments in subsidiaries

	Country of incorporation	% Equity interest	
		2016	2015
Zlatna Panega Beton EOOD	Bulgaria	100%	100%
Gravel and Sand Pits – Bulgaria EAD	Bulgaria	100%	100%

The investments in subsidiaries are measured at cost as follows:

	2016	2015
	€000	€000
Zlatna Panega Beton EOOD	8,421	8,421
Gravel and Sand Pits Bulgaria EAD	69	69
	8,490	8,490

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

10.2 Available-for-sale investment

The Company has a 9% participation in Granitoid AD, the majority shareholder of which is REA Cement Limited. Granitoid AD is a joint stock company, incorporated in Bulgaria. The equity shares are measured at cost because they do not have a quoted market price in an active market. Transactions for sales and purchases of shares are made over the counter at prices negotiated through financial intermediaries. In 2013 Zlatna Panega Cement AD increased its participation in Granitoid AD through purchase of 552 shares for the amount of EUR 3 thousand. The cost of the available-for-sale investment is EUR 24 thousand as of 31 December 2016 and 31 December 2015.

11. Other financial assets

In accordance with the quarry concession agreement, the Company is obliged to maintain a deposit equal to 10% of the amount of the average three-month excavated material, during the concession period (20 years). As of 31 December 2016 the amount deposited and restricted for this purpose is EUR 112 thousand (31 December 2015: EUR 102 thousand). It earns interest at 2.481% per annum.

12. Non-current assets held for sale

	2016	2015
	€000	€000
At 1 January	202	966
Additions	-	38
Disposals	(202)	(87)
Transfer to investment property (Note 8)	-	(715)
At 31 December	-	202
Non-current assets held for sale measured at fair value less cost to sell	-	202

As of 31 December 2016 the non-current assets held for sale comprising a house in Pirin Golf Holiday Club in Razlog were sold.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

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13. Inventories

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Spare parts	5,839	5,020
Work in progress	2,737	1,330
Raw materials	1,090	665
Finished goods	681	434
Packaging materials	487	352
	<u>10,834</u>	<u>7,801</u>

14. Trade and other receivables

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Short - term trade receivables	2,905	3,219
Receivables under court procedure	2,172	2,357
Less: Provision for impairment	(1,304)	(1,240)
Short - term trade receivables, net	3,773	4,336
VAT receivable	147	252
Electricity subsidy receivable	1,165	-
Other receivables	168	136
Total short – term trade and other receivables, net	5,253	4,724

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

From the trade and other receivables EUR 64 thousands are denominated in EUR (31 December 2015: EUR 339).

All other receivables are denominated in BGN.

As at 31 December 2016, trade receivables at nominal value of EUR 1,667 thousand (31 December 2015: EUR 1,723 thousand) were impaired following receivable collectability analysis performed by the Company's management. The value of the collateral approximates the carrying value of the court receivables that are not impaired.

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

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
At 1 January	1,240	1,075
Charge for the period (Note 4.4)	287	344
Utilized	(213)	(179)
Unused amounts reversed (Note 4.7)	(10)	-
At 31 December	1,304	1,240

The ageing analysis of trade receivables is as follows:

	Total €000	Neither past due nor impaired €000	Past due but not impaired				
			< 30 days €000	31-60 days €000	61-90 days €000	91-120 days €000	>120 days €000
31 December 2016	2,905	922	826	376	143	291	347
31 December 2015	3,219	1,333	1,000	198	60	113	515

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

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15. Prepayments

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Prepayments to third parties	54	167
	<u>54</u>	<u>167</u>

16. Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Cash at bank (investment grade banks)	96	139
Cash in hand	7	5
	<u>103</u>	<u>144</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2016 the fair value of cash and cash equivalents is EUR 103 thousand (31 December 2015: EUR 144 thousand).

Cash and cash equivalents are denominated in the following currencies:

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
BGN	94	126
EUR	7	8
USD	2	10
	<u>103</u>	<u>144</u>

17. Issued capital and reserves

17.1 Issued capital

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Ordinary shares of EUR 0.51 each, as per court registration	16,450	16,450
Hyperinflation adjustment	12,152	12,152
	<u>28,602</u>	<u>28,602</u>

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

	<u>Number of ordinary shares (thousands)</u>	<u>Authorised capital</u>
At 1 January 2015	32,173	16,450
At 1 January 2016	32,173	16,450
At 31 December 2016	<u>32,173</u>	<u>16,450</u>

All ordinary shares issued were fully paid.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

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17. Issued capital and reserves (continued)

17.2 Reserves

Legal reserve

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

18. Interest-bearing loans from banks

	<u>Interest rate %</u>	<u>Maturity</u>	<u>2016</u>	<u>2015</u>
Current			€000	€000
(1) Overdraft facility with limit of BGN 10,000 thousand	1M Sofibor + spread	28 February 2017	2,538	290
(2) Long-term bullet loan with total limit of BGN 18,000 thousand for working capital needs and capital expenditure: short-term portion	1M Sofibor + spread	28 February 2017	1,534	1,534
	1M Sofibor + spread	31 August 2017	1,534	1,534
Interest payable on loans			-	-
Outstanding balance of credit cards, repayable on 16.01.2017			-	-
			<u>5</u>	<u>3</u>
			<u>5,611</u>	<u>3,361</u>
Non-Current	<u>Interest rate %</u>	<u>Maturity</u>	<u>2016</u>	<u>2015</u>
			€000	€000
(1) Overdraft facility with limit of BGN 9,000 thousand	1M Sofibor + spread	28 February 2019	3,328	507
(2) Revolving credit facility with total limit of BGN 10,757 thousand	1M Sofibor + spread	31 December 2018	1,885	50
(3) Long-term bullet loan with total limit of BGN 18,000 thousand for working capital needs and capital expenditure: long-term portion	1M Sofibor + spread	15 January 2018	4,602	7,670
			<u>9,815</u>	<u>8,227</u>

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

As at 31 December 2016, the Company has available EUR 15,426 thousand (31 December 2015: EUR 11,588 thousand) of undrawn committed borrowing facilities in respect of which all precedent conditions had been met.

As part of the loans conditions of the short-term loans are included certain covenants based on the consolidated audited financial statements of Titan Cement Co SA, Greece and separate financial statements of Zlatna Panega Cement AD. As of 31 December 2016 Titan Cement Co S.A. is in compliance with all covenants. All covenants based on the separate financial statements of Zlatna Panega Cement AD are fully met.

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

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19. Restoration provision

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
At 1 January	2,259	2,228
Arising during the year	3	-
Unwinding of discount (Note 4.9)	27	31
At 31 December	<u>2,289</u>	<u>2,259</u>

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

20. Retirement benefits

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

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

Net benefits expense

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Current service cost (Note 4.4)	29	20
Interest cost (Note 4.9)	10	8
Net benefit expense recognised in the statement of other comprehensive income	<u>39</u>	<u>28</u>
Actuarial losses recognized in other comprehensive income	<u>(31)</u>	<u>(79)</u>

Benefit liability

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Present value of retirement benefit obligation	415	356
Benefit liability recognized in the balance sheet	<u>415</u>	<u>356</u>

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

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20. Retirement benefits (continued)

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

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Retirement benefit obligation at 1 January	356	267
Interest cost	10	8
Current service cost	29	20
Benefits paid	(11)	(18)
Actuarial losses on obligation	31	79
Retirement benefit obligation at 31 December	415	356

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

	<u>2016</u>	<u>2015</u>
Discount rate	3.0 %	3.0 %
Future salary increases	2.0 %	2.0 %
Staff turnover	0-12 %	0-12 %

A quantitative sensitivity analysis for significant assumptions as at 31 December 2016 is as shown below:

Assumptions	Discount rate		Future salary increases		Staff turnover	
	0.25% increase	0.25% decrease	1% increase	1% decrease	1% increase	1% decrease
Sensitivity Level	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>	<i>EUR '000</i>
Impact on the defined benefit obligation	(11)	10	40	(45)	(42)	40

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

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Within the next 12 months	12	2
Between 2 and 5 years	142	144
Between 6 and 10 years	235	216
Beyond 10 years	2,401	2,345
Total expected payments	2,790	2,707

The average duration of the defined benefit plan obligation at the end of the reporting period is 17 years (2015: 17 years).

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NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

21. Trade and other payables

	<u>2016</u>	<u>2015</u>
	€000	€000
Trade payables from domestic suppliers	2,593	4,093
Trade payables from foreign suppliers	1,981	882
Trade payables	4,574	4,975
Customer prepayments and other accruals	230	175
Unused paid leave	117	107
Other taxes	83	61
Social security	53	51
Insurance premium payable	39	190
Payroll taxes	25	28
Other payables	118	140
	<u>5,239</u>	<u>5,727</u>

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

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

22. Related party disclosures

The Ultimate parent

The Ultimate parent of the Company is Titan Cement Company S.A., incorporated in Greece, a company listed on the Athens Stock Exchange.

Entity with controlling interest in the Company

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

Subsidiaries

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

Associates

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

Other related parties

Granitoid AD, Cementarnica Usje AD, Adocim Marmara Beton, Adocim Marmara Cimento, GAEA – Green Alternative Energy Assets EAD, ANTEA Cement Sh.A. and Zlatna Panega Cement AD are related parties because they are under the common control of Titan Cement Company S.A. (the ultimate parent).

The following table provides the total amount of transactions, which have been entered into with related parties during the year ended 31 December 2016 and 31 December 2015 as well as balances with related parties as of 31 December 2016 and 31 December 2015:

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

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22. Related party disclosures (continued)

		Sales to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
		€000	€000	€000	€000
In respect of sales / purchases from related parties					
<i>Ultimate parent company</i>					
Titan Cement Company S.A.	2016	-	832	-	143
Titan Cement Company S.A.	2015	-	1,110	-	1,074
<i>Subsidiaries</i>					
Zlatna Panega Beton EOOD	2016	2,726	27	7,672	-
Zlatna Panega Beton EOOD	2015	4,462	27	7,127	-
<i>Other related parties</i>					
Cementarnica Usje AD	2016	51	-	-	-
Cementarnica Usje AD	2015	30	-	2	-
Adocim Cimento Beton	2016	696	-	-	-
Adocim Cimento Beton	2015	611	-	-	-
Adocim Marmara Cimento	2016	336	-	-	-
Adocim Cimento Beton	2015	-	-	-	-
Adocim Cimento Beton	2015	-	-	-	-
GAEA – Green Alternative Energy					
Assets EAD	2016	10	455	-	221
GAEA – Green Alternative Energy					
Assets EAD	2015	8	374	-	107
ANTEA Cement Sh. A.	2016	-	-	-	-
ANTEA Cement Sh. A.	2015	-	-	-	-
	2016			<u>7,672</u>	<u>364</u>
	2015			<u>7,129</u>	<u>1,181</u>

The receivables from related parties are not past due, as they are payable on demand. The receivables aged more than one year are amounting to EUR 4,106 thousand as at 31 December 2016 (31 December 2015: EUR 1,562 thousand).

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

22. Related party disclosures (continued)

		Interest income	Interest expense	Amounts due from related parties	Amounts owed to related parties
		€000	€000	€000	€000
In respect of loans from / to related parties					
<i>Subsidiaries</i>					
Zlatna Panega Beton EOOD	2016	119	-	4,627	-
Zlatna Panega Beton EOOD	2015	160	-	4,641	-
<i>Other related parties</i>					
Granitoid AD	2016	2	-	83	-
Granitoid AD	2015	2	-	77	-
GAEA – Green Alternative Energy Assets EAD	2016	-	-	-	13
GAEA – Green Alternative Energy Assets EAD	2015	-	1	-	16
	2016			<u>4,710</u>	<u>13</u>
	2015			<u>4,718</u>	<u>16</u>

As at 31 December 2016 included in the amounts due from related parties in respect of loans granted is interest receivable from Granitoid at the respective amount of EUR 9 thousand (31 December 2015: EUR 8 thousand).

As at 31 December 2016 included in the amounts owed from related parties in respect of loans granted is interest receivable from Zlatna Panega Beton EOOD at the respective amount of EUR 9 thousand (December 2015: EUR 22 thousand).

Loans due from related parties

Zlatna Panega Beton EOOD

In September 2013 Zlatna Panega Cement signed an agreement for substitution of bank debt obligations, whereas Zlatna Panega Cement substituted Zlatna Panega Beton (the initial borrower) in all its obligations and rights toward the bank. In September 2013 Zlatna Panega Cement granted a loan to Zlatna Panega Beton EOOD at the total limit of EUR 5,113 thousand. Interest is charged at 1M Sofibor rate plus spread. The intercompany loan is intended to finance the working capital needs of Zlatna Panega Beton EOOD. The loan is unsecured and is repayable on 31 December 2016. During the year the Company received principal repayment of EUR 0 thousand (2015: 0 thousand), interest repayment of EUR 133 thousand (2015: 151 thousand) and new grants made of EUR 0 thousand.

Granitoid AD

As at 31 December 2016 Zlatna Panega Cement AD has loaned to Granitoid AD the amount of EUR 74 thousand (2015: EUR 70 thousand). The intercompany loan is intended to finance the working capital needs of Granitoid. During the year the Company made new grants of EUR 4 thousand. The loan is unsecured and is repayable in April 2017. Interest is charged at 1M Sofibor rate plus spread of 2.6%.

Loans owed to related parties

GAEA – Green Alternative Energy Assets EAD

As of 31 December 2016 the Company has obtained a loan from GAEA – Green Alternative Energy Assets EAD at the total amount of EUR 13 thousand (31 December 2015: EUR 13 thousand). The intercompany loan is intended to finance the working capital needs of Zlatna Panega Cement AD. The loan is unsecured and is repayable until 13 November 2017. Interest is charged at interest rate of 1 M Sofibor rate plus spread of 2.9%.

ZLATNA PANEGA CEMENT AD**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

22. Related party disclosures (continued)**Terms and conditions of transactions with related parties**

The sales and purchases from related parties are made at contracted prices. Outstanding balances at period end are unsecured, interest free (except for loans) and settlement occurs in cash. Except as disclosed in Note 24, there have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Company has not recorded any impairment of receivables relating to amounts owed from related parties (2014: Nil). This assessment is undertaken each financial period by examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Remuneration	175	165
	<u>175</u>	<u>165</u>

23. Dividends distributed

During the year ended 31 December 2016 the General Meeting of Shareholders voted not to distribute any dividends (during 2015: EUR Nil).

24. Commitments and contingencies

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Capital commitments	238	256
Letter of credit	20	-
Promissory Note to banks and leasing companies	-	55

Capital commitments

At 31 December 2016 the Company has capital commitments of EUR 238 thousand (31 December 2015: EUR 256 thousand) related to the completion of capital projects including: Clinker B silo, Chlorine bypass, Personnel elevator at RM silo.

Legal claims

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

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

24. Commitments and contingencies (continued)

Bank guarantees

As at 31 December 2016 the Company provided a total EUR 389 thousand of bank guarantees (2015: EUR 209 thousand).

Other

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

- Corporate income tax – until 31 December 2009;
- VAT – until 31 October 2010;
- Personal income tax – until 31 December 2008;
- Social security contributions – until 30 June 2009;
- Local taxes and fees – until 31 December 2004;
- Holiday tax – period 2007-2012.

Bulgarian tax legislation is subject to varying interpretations and constant changes. Furthermore, the interpretations of tax authorities as applied to the transactions and activity of the Company may not coincide with that of the management. As a result tax authorities may challenge the way of calculating tax losses carried forward as well as assess additional taxes, penalties and interest, which can be significant.

The directors do not believe that, as of 31 December 2016, any material matters exist relating to the evolving fiscal and regulatory environment in the country, which would require adjustment to the accompanying financial statements.

Operating lease commitments – Company as a lessee

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

Future minimum rentals payable under non-cancellable operating leases as of 31 December 2016 and 31 December 2015 are as follows:

	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>
Within one year	144	131
After one year but not more than five years	268	106
	<u>412</u>	<u>237</u>

25. Financial risk management objectives and policies

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

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

Interest rate risk

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

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

25. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

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

	<u>Increase/decrease in basis points</u>	<u>Effect on profit before tax</u>
	€000	€000
2016		
Loans in BGN	+200	(230)
Loans in BGN	-100	115
2015		
Loans in BGN	+200	(312)
Loans in BGN	-100	166

Liquidity risk

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

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

As of 31 December 2016

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
	€000	€000	€000	€000	€000	€000
Interest bearing loans	-	4,160	1,759	10,141	-	16,060
Trade payables	-	4,574	-	-	-	4,574
Other payables	-	120	-	-	-	120
Payables to related parties	-	377	-	-	-	377
Bank guarantees	-	389	-	-	-	389
	<u>-</u>	<u>9,620</u>	<u>1,759</u>	<u>10,141</u>	<u>-</u>	<u>21,520</u>

As of 31 December 2015

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
	€000	€000	€000	€000	€000	€000
Interest bearing loans	-	1,928	1,818	8,880	-	12,626
Trade payables	-	4,975	-	-	-	4,975
Other payables	-	140	-	-	-	140
Payables to related parties	-	1,197	-	-	-	1,197
Bank guarantees	-	195	14	-	-	209
	<u>-</u>	<u>8,435</u>	<u>1,832</u>	<u>8,880</u>	<u>-</u>	<u>19,147</u>

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2016

All amounts are in EUR thousand unless otherwise stated

25. Financial risk management objectives and policies (continued)

Foreign exchange risk

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

Credit risk

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. The maximum exposure is the carrying amount as disclosed in Note 15. There are no significant concentrations of credit risk within the Company.

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

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following the shareholders' approval. No changes were made in the objectives, policies or processes during the period ended 31 December 2016 and 31 December 2015.

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

	31 December 2016	31 December 2015
Total borrowings (note 18)	15,426	11,588
Less: cash and cash equivalents (note 16)	(103)	(144)
Net debt	<u>15,323</u>	<u>11,444</u>
Total equity	79,772	79,398
Total capital	<u>95,095</u>	<u>90,842</u>
Gearing ratio	16.11%	12.60%
	<u>2016</u>	<u>2015</u>
	€000	€000
EBITDA	<u>6,458</u>	<u>8,529</u>

The structure and management of debt capital is determined at TITAN Group level.

ZLATNA PANEGA CEMENT AD**NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)**

For the year ended 31 December 2016

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26. Fair value of financial instruments

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

	<i>Carrying amount</i>		<i>Fair value</i>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
<i>Financial assets</i>				
<i>Loans and receivables</i>				
Trade receivables	5,106	4,472	5,106	4,472
Receivables from related parties	7,672	7,129	7,672	7,129
Loans to related parties	4,710	4,718	4,710	4,718
Other financial assets	112	102	112	102
Cash and cash equivalents	103	144	103	144
<i>Available for sale investment</i>	24	24	24	24
<i>Financial liabilities</i>				
<i>Financial assets measured at amortized cost</i>				
Interest bearing loans and borrowings	15,426	11,588	15,426	11,588
Trade payables	4,574	4,975	4,574	4,975
Other payables	118	140	118	140
Payables to related parties	364	1,181	364	1,181
Loans from related parties	13	16	13	16

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and cash equivalents, trade receivables, trade payables, and other current assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments;
- Other non-current financial assets represent a deposit restricted in accordance with the quarry concession agreement. As of 31 December 2016 and 31 December 2015 the carrying amount of these assets was not materially different from their fair value.
- The fair value of fixed-rate and 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 2016 and 31 December 2015 was assessed to be insignificant.

27. Events after the reporting date

On 10 October 2016 an agreement was concluded between Zlatna Panega Cement AD and Zlatna Panega Beton EOOD that the two entities will merge, where Zlatna Panega Cement AD is the acquiring entity and Zlatna Panega Beton EOOD discontinued its existence.

The merger of Zlatna Panega Cement AD and Zlatna Panega Beton EOOD has been registered by Registration Agency on 4 January 2017.