



**ZLATNA PANEGA CEMENT AD
INDEPENDENT AUDITOR'S REPORT
ANNUAL SEPARATE ACTIVITY REPORT
ANNUAL SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2018**

ZLATNA PANEGA CEMENT AD

Contents

General Information	i
Annual Separate Activity Report	1
Annual Separate Statement of Comprehensive Income	10
Annual Separate Balance Sheet	11
Annual Separate Statement of Changes in Equity	12
Annual Separate Cash Flow Statement	13
Notes to the Annual Separate Financial Statements	
1. Corporate information	14
2.1. Basis of preparation	14
2.2. Summary of significant accounting policies	16
3. Significant accounting judgments, estimates and assumptions	30
4. Expenses and other revenues	32
5. Income tax	35
6. Fair value measurement	36
7. Property, plant and equipment	37
8. Investment property	38
9. Intangible assets	39
10. Investments	40
11. Other financial assets	41
12. Non-current assets held for sale	41
13. Inventories	41
14. Trade and other receivables	41
15. Prepayments	41
16. Cash and cash equivalents	42
17. Issued capital and reserves	42
18. Interest-bearing loans from banks	43
19. Restoration provision	44
20. Retirement benefits	44
21. Trade and other payables	45
23. Related party disclosures	46
24. Dividends distributed	49
25. Commitments and contingencies	49
26. Financial risk management objectives and policies	50
27. Fair value of financial instruments	54
28. Merger of entities under common control	55
29. Change in accounting policy	59
30. Events after the reporting date	59

ZLATNA PANEGA CEMENT AD
General Information

Directors

Alexandar Nakov Chakmakov
Konstantinos Derdemezis
Christos Panagopoulos
Adamantios Frantzis
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
Societe General – Expressbank, Sofia
United Bulgarian Bank – Sofia
Raiffeisenbank Bulgaria
First Investment Bank

Auditors

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



Independent Auditor's Report

To the Shareholders of Zlatna Panega Cement AD

Our opinion

We have audited the separate financial statements of Zlatna Panega Cement AD (the "Company") which comprise the separate statement of financial position as at 31 December 2018, 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 2018, 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 interpretation of European Commission Internal Market and Services and the interpretation of the European Commission Internal Market and Services.

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 Financial Audit Act that are relevant to our audit of the separate financial statements in Bulgaria. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Independent Financial Audit Act.

Information other than the separate financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the Separate Annual Activity Report, prepared by the management in accordance with Chapter Seven of the Accountancy Act 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, 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 Separate Annual Activity Report, we have also performed the procedures added to those required under ISAs in accordance with the "Guidelines Regarding the New and Enhanced Auditor Reporting and Communication by the Auditor" of the professional organisation of registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). 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 and the Public Offering Securities 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 Separate 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 Separate Annual Activity Report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and art.100 (m), para 7, p.2 of the Public Offering Securities 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 IFRS as adopted by the 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

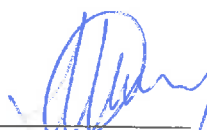
Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a

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 skepticism 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

20 March 2019
Sofia, Bulgaria

ZLATNA PANEGA CEMENT AD
ANNUAL SEPARATE ACTIVITY REPORT

For the year ended 31 December 2018

ANNUAL SEPARATE ACTIVITY REPORT

The Directors present their annual separate activity 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 2018.

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 cash 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 26 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 1,395 thousand (2017: EUR loss of (3,476) thousand). During the period the Company produced 651 tons of cement (2017: 561 thousand tons) and sold 647 thousand tons of cement (2017: 566 thousand tons).

Dividends and distribution of profits

At the General Meeting of Shareholders held on 14 June 2018, a decision was taken not to distribute dividends (2017: 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 2018. 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)
Iapetos 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 2017 REA Cement Limited, Cyprus merged in its sole owner Aemos Cement Limited Cyprus.

In 2018 Aemos Cement Limited Cyprus merged in its sole owner Iapetos Limited Cyprus.

ZLATNA PANEGA CEMENT AD
ANNUAL SEPARATE ACTIVITY REPORT (CONTINUED)

For the year ended 31 December 2018

Investments

As at 31 December 2018 and 31 December 2017 Zlatna Panega Cement AD holds interests in the following subsidiaries and associates:

- 100% owner in Titan Investment EAD,
- 100% owner in Gravel and Sand Pits Bulgaria EAD ("GSPB")

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 04 January 2017.

These investments are carried at cost in the separate financial statements.

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 2018 the Company has a 9% (2017: 9%) participation in Granitoid AD (the majority shares of which are owned by Iapetos Limited).

Financial Indicators

The Company monitors its equity capital using gearing ratio that as of 31 December 2018 is 9.12% (31 December 2017: 17.50%) and earnings before interest, tax, depreciation and amortization (EBITDA) for the period that as 31 December 2018 is EUR 7,247 thousand (31 December 2017: EUR 3,915 thousand)

Events after the reporting date

No 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 2018.

Disclosure for acquisition of own shares

The Company owns no shares of the Company and had no such transactions in 2018.

Branches of the Company

The Company has no branches.

OBJECTIVES OF THE COMPANY FOR 2019

The Directors are set to achieve the following objectives for 2019:

- 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.

ZLATNA PANEGA CEMENT AD
ANNUAL SEPARATE ACTIVITY REPORT (CONTINUED)

For the year ended 31 December 2018

CORPORATE GOVERNANCE

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

As of 31 December 2018 and 31 December 2017 the Board of Directors consists of:

1. Alexander Nakov Chakmakov
2. Konstantinos Derdemezis
3. Christos Panagopoulos
4. Adamantios Frantzis
5. Loukas Petkidis

Adamantios Frantzis is the Company's Executive Director.

In 2018 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.

Adamantios Frantzis is member of the Board of Directors of Holcim Karierni Materiali Plovdiv AD and Holcim Karierni Materiali AD and chairman of the Management Board of the Bulgarian Association of Cement Industry.

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

Remuneration of the Board of Directors

The members of the Board of Directors has received EUR 309 thousand in 2018 (2017: EUR 314 thousand).

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

ZLATNA PANEGA CEMENT AD
ANNUAL SEPARATE ACTIVITY REPORT (CONTINUED)

For the year ended 31 December 2018

Additional information under Appendix 10 to Ordinance 2/2003

1. Information of the amount and quantity of the main categories goods, products and/or provided services, with indication of their share in the revenues from sales of the Company as a whole and the changes that occurred during the reporting fiscal year.

Sales of goods and services in 2018 are as follows:

	Quantity	Value (EUR'000)	% of revenue
Sale of cement	598,184	37,862	82%
Sale of clinker	32,750	1,058	2%
Sales of concrete	174,167	6,957	15%
Other revenue – pumping	113,613	409	1%
Other revenue	1,082	3	0%
Revenue	919,796	46,289	100%

2. Information about the revenues allocated by separate categories of activities, domestic and external markets as well as information about the sources for supply of materials required for the manufacture of finished products or the provision of services with indication of the degree of dependence in relation to any individual seller or buyer/user

The revenue of the Company is allocated by markets as follows:

	Value (EUR'000)	% of revenue
Sale of cement	37,862	82%
Domestic market	35,645	77%
External market	2,217	5%
Sale of clinker	1,058	2%
Domestic market	143	0%
External market	915	2%
Sales of concrete	6,957	15%
Domestic market	6,957	15%
External market	-	-
Other revenue – pumping	409	1%
Domestic market	409	1%
External market	-	-
Other revenue	3	0%
Domestic market	3	0%
External market	-	-
Revenue	46,289	100%

Major raw materials used in the production are delivered mainly from local suppliers. Suppliers of coal, alternative fuels, electricity and strategic spare parts are selected based on tenders, organized on a group level

The Company does not have significant concentration of suppliers and respectively none of the suppliers delivers more than 10% of all purchases of inventory.

The Company does not have significant concentration of clients and respectively no sales to a specific client exceed 10% of total revenue.

ZLATNA PANEGA CEMENT AD
ANNUAL SEPARATE ACTIVITY REPORT (CONTINUED)
For the year ended 31 December 2018

Additional information under Appendix 10 to Ordinance 2/2003 (continued)

3. Information about agreed large transactions of significant importance for the Company's activity.

The Company had no significant transactions in 2018 and 2017 except for the ones disclosed in the notes to the separate financial statements.

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 04 January 2017.

The impact of the merger on the financial statements is disclosed in details in Note 28 to the separate financial statements.

4. Information about the transactions agreed between the Company and related parties during the reporting period, proposals for conclusion of such transactions as well as transactions, which are outside its usual activity or substantially deviate from the market conditions

The Company does not have transactions which are outside the normal course of business or substantially deviate from market conditions.

Information with regards to transactions of the Company with related parties in 2018 and 2017 are disclosed in Note 23 of the separate financial statements of the Company.

5. Information about events and indicators of unusual for the Company nature, having substantial influence over its operation and the realized revenues and expenses incurred; assessment of their influence over the results during the current year.

The Company had no unusual transactions in 2018 and 2017.

6. Information about off-balance transactions

The Company had no off-balance sheet transactions in 2018 and 2017.

7. Information about holdings of the Company, about its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estate), as well as the investments in equity securities outside its economic group and the sources/ways of financing.

As at 31 December 2017 Zlatna Panega Cement AD holds interests in the following subsidiaries and associates:

- 100% owner in Titan Investment EAD,
- 100% owner in Gravel and Sand Pits Bulgaria EAD ("GSPB")

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 2018 the Company has a 9% (2017: 9%) participation in Granitoid AD (the majority shares of which are owned by Iapetos Limited).

ZLATNA PANEGA CEMENT AD
ANNUAL SEPARATE ACTIVITY REPORT (CONTINUED)
For the year ended 31 December 2018

Additional information under Appendix 10 to Ordinance 2/2003 (continued)

8. Information about the concluded by the Company, its subsidiaries or parent company in its capacity as borrower, loan contracts with indication of the terms and conditions thereof, including the deadlines for repayment as well as information on the provided guarantees and assuming of liabilities.

Titan Investment AD has no contracts under which it is in a role of a borrower as at 31 December 2018 and 31 December 2017.

Gravel and Sand Pits Bulgaria EAD has not contracts under which it is in a role of a borrower as at 31 December 2018 and 31 December 2017.

Iapetos Limited has a contracts for a borrowing received from Titan Global Finance Plc, as follow:

<u>Facility size</u> <u>(EUR'000)</u>	<u>Facility Balance</u> <u>(EUR'000)</u>	<u>Interest</u>	<u>Expire date</u>
40,000	39,590	Interest period Euribor +3,30%	7.2.2019
30,000	25,450	Interest period Euribor +3,30%	30.6.2020
62,000	62,000	Interest period Euribor +3,55%	5.6.2019

Information with regards to borrowings contracts, under which the Company is a borrower are disclosed in Note 18 and 23 of the separate financial statements.

9. Information about the concluded by the Company, its subsidiaries or parent company in its capacity as lender, loan contracts, including the provision of guarantees of any type, including to related persons, with indication of the concrete conditions there under, including the deadlines for repayment and the purpose for which they have been granted.

Titan Investment AD has no contracts under which it is in a role of a lender as at 31 December 2018 and 31 December 2017.

Gravel and Sand Pits Bulgaria EAD has a contract under which it is in a role of a borrower as at 31 December 2018 and 31 December 2017 with Duple Ve Co EOOD. The purpose of the loan is to finance working capital of Duple Ve Co EOOD. The maturity of the loan is May 2019. The Interest rate is 1 month EURIBOR + 2.90%. The unpaid amount as at 31 December 2018 is EUR 128 thousand (2017: EUR 105 thousand).

Iapetos Limited has borrowings contracts under which it is a lender, as follows:

<u>Borrower</u>	<u>Facility Balance</u> <u>(EUR'000)</u>	<u>Interest</u>	<u>Expire date</u>
Alvacim	27,236	6Months Euribor +2,50%	24.11.2020
BeniSuef	35,000	Interest period Euribor+3,50%	31.1.2019

Information with regards to borrowing contracts, under which the Company is a lender are disclosed in Note 23 of the separate financial statements.

10. Information on the use of the funds from a new issue of securities carried out during the reported period.

The Company had no securities issue in 2018 and 2017.

11. Analysis of the ratio between the achieved financial results reflected in the financial statement for the fiscal year, and previously published forecasts for these results.

The Company has not published forecasted financial results in 2018 and 2017.

ZLATNA PANEGA CEMENT AD
ANNUAL SEPARATE ACTIVITY REPORT (CONTINUED)
For the year ended 31 December 2018

Additional information under Appendix 10 to Ordinance 2/2003 (continued)

12. Analysis and assessment of the policy concerning the management of the financial resources with indication of the possibilities for servicing of the liabilities, eventual jeopardizes and measures which the issuer has undertaken or is to undertake with a view to their removal.

The Company repays its liabilities and borrowings in compliance with the agreed payment terms. The borrowings received of the Company are guaranteed with corporate guarantee from Titan Cement Company SA.

Unused limits of borrowings, which the Company could use for repayment of its liabilities are disclosed in Note 18 of the separate financial statements.

The management of the Company has not identified any threats with regards to its ability to repay its liabilities.

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 risks is summarized in Note 26 of the Financial Statements of the Company.

13. Assessment of the ability to realise its investment intentions, including the value of the available resources and reflecting the possible changes in the financing structure of these activities.

The Company's activity is focused on the management of the current investments as well as improvement of the production efficiency.

Capital commitments, as well as contingent liabilities are disclosed in Note 25 to the separate financial statements.

Unused limits of borrowings are disclosed in Note 18 of the separate financial statements.

14. Information about occurred during the reporting period changes in the basic principles for management of the Company and its economic group.

The Company and its group of companies has not made any changes in the basic principles of management in 2018 and 2017.

15. Information about the main characteristics of the applied by the Company in the course of preparation of the financial statements internal controls system and risk management system.

An internal control system and risk management procedures are implemented in the Company, which guarantee the effectiveness of the reporting systems and the generation of information. The management of the Company is responsible for and has a leading role in designing the internal control system and the risk management. It has a managing and leading role, as well as performs ongoing control and takes necessary measures to avoid and minimize risks.

16. Information on the changes in the management and supervisory bodies during the reporting fiscal year.

As of 31 December 2018 and 31 December 2017 the Board of Directors consists of:

1. Alexandar Nakov Chakmakov
2. Konstantinos Derdemezis
3. Christos Panagopoulos
4. Adamantios Frantzis
5. Loukas Petkidis

Adamantios Frantzis is the Company's Executive Director.

ZLATNA PANEGA CEMENT AD
ANNUAL SEPARATE ACTIVITY REPORT (CONTINUED)
For the year ended 31 December 2018

Additional information under Appendix 10 to Ordinance 2/2003 (continued)

17. Information on the amount of the remunerations of the members of the management and control bodies for the fiscal year under review, paid by the Company

Information with regards to the remuneration of the members of the Board of Directors is disclosed in Note 23 of the separate financial statements.

18. For the public companies - information for shares owned by the members of the boards and the management personnel

The Company is not public.

19. Information about the known by the Company agreements (including also after the fiscal year closing) as a result of which changes may occur in the future in the shareholdings of the current shareholders bondholder.

The Company has no agreements and does not have information, as a result of which changes in the shareholding of the Company may occur.

20. Information about pending court, administrative or arbitration proceedings relating to company's liabilities or receivables of an amount of at least 10 percent of its equity; if the total amount of the Company's liabilities or receivables under all initiated proceedings exceeds 10 per cent of its equity, information shall be submitted for each procedure separately.

The Company has no pending court, administrative or arbitration proceedings exceeding 10% of its share capital

21. For public entities – Information about the investor relations director, including telephone and address for correspondence.

The Company is not public.

ZLATNA PANEGA CEMENT AD

ANNUAL SEPARATE ACTIVITY REPORT (CONTINUED)

For the year ended 31 December 2018

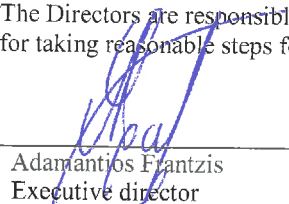
Directors' responsibilities

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 2018.

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.

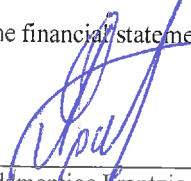

Adamantios Frantzis
Executive director
Zlatna Panega Cement AD
7 March 2019

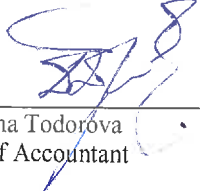


ZLATNA PANEGA CEMENT AD
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

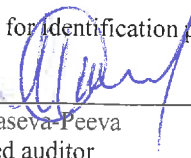
	Notes	2018	2017
		€000	€000
Sale of cement		37,862	32,348
Sales of clinker		1,058	2,594
Sales of concrete		6,957	7,356
Sales of pumping services		409	489
Other revenue		3	48
Revenue from contracts with clients		46,289	42,835
Cost of sales	4.1	(39,579)	(41,031)
Gross profit		6,710	1,804
Other income	4.7	302	366
Selling and distribution costs	4.2	(503)	(528)
Administrative expenses	4.3	(4,529)	(5,211)
Net impairment losses on financial assets	26	(203)	(292)
Other expenses, net	4.4	(587)	988
Operating profit/(loss)		1,190	(2,873)
Finance income	4.8	932	8
Finance costs	4.9	(573)	(825)
Profit/(loss) before tax		1,549	(3,690)
Income tax (expense)/credit	5	(154)	214
Profit/(loss) for the year		1,395	(3,476)
Actuarial losses on defined benefit plans	20	14	(81)
Income tax effect	5	(1)	8
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net		13	(73)
Total comprehensive income for the year		1,408	(3,549)

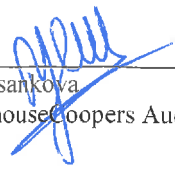
The financial statements have been approved on 7 March 2019 and signed as follows:


Adamantios Frantzis
Chief Executive Officer


Galina Todorova
Chief Accountant

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


Lidiya Taseva-Peeva
Registered auditor


Tsvetana Tsankova
PricewaterhouseCoopers Audi OOD

20-03-2019

20-03-2019

ZLATNA PANEGA CEMENT AD
SEPARATE STATEMENT OF FINANCIAL POSITION
As of 31 December 2018

	Notes	2018 €000	2017 €000
ASSETS			
Non-current assets			
Property, plant and equipment	7	67,368	69,999
Investment property	8	719	719
Intangible assets	9	93	136
Investments in subsidiaries	10.1	757	849
Financial assets at fair value in other comprehensive income	10.2	24	-
Available-for-sale investment	10.2	-	24
Other financial assets	11	172	153
		69,133	71,880
Current assets			
Inventories	13	9,393	11,432
Trade and other receivables	14	5,162	5,605
Receivables from related parties	23	31	8
Loans to related parties	23	49	74
Prepayments	15	7	26
Cash and cash equivalents	16	176	188
		14,818	17,333
Assets held for sale	12	-	353
		14,818	17,686
TOTAL ASSETS		83,951	89,566
EQUITY AND LIABILITIES			
Equity			
Issued capital	17.1	28,602	28,602
Legal reserve	17.2	1,645	1,645
Retained earnings		38,106	36,970
Total equity		68,353	67,217
Non-current liabilities			
Interest-bearing loans from banks	18	1,362	4,737
Finance Lease Liabilities	22	38	82
Restoration provision	19	1,001	929
Retirement benefit liability	20	614	613
Deferred tax liability	5	612	457
		3,627	6,818
Current liabilities			
Trade and other payables	21	5,786	5,096
Interest - bearing loans from banks	18	5,671	9,705
Finance lease liabilities	22	46	54
Payables to related parties	23	454	391
Loans from related parties	23	14	285
		11,971	15,531
Total liabilities		15,598	22,349
TOTAL EQUITY AND LIABILITIES		83,951	89,566

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20-03-2019

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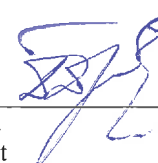
ZLATNA PANEGA CEMENT AD
SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Issued capital (Note 17.1) €000	Legal reserve (Note 17.2) €000	Retained earnings €000	Total €000
At 1 January 2017	28,602	1,645	49,525	79,772
Effect from the merger			(9,006)	(9,006)
Loss for the year	-	-	(3,476)	(3,476)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net	-	-	(73)	(73)
Total comprehensive income for the year	-	-	(73)	(73)
At 31 December 2017	28,602	1,645	36,970	67,217
At 1 January 2018	28,602	1,645	36,970	67,217
Profit for the year	-	-	1,395	1,395
Change in accounting policy (Note 26)	-	-	(272)	(272)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods, net	-	-	13	13
Total comprehensive income for the year	-	-	13	13
At 31 December 2018	28,602	1,645	38,106	68,353

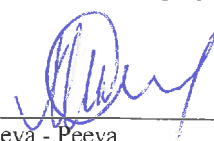
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Registered auditor




Tsvetana Tsvankova
PricewaterhouseCoopers Audit OOD

ZLATNA PANEGA CEMENT AD
SEPARATE STATEMENT OF CASH FLOW
For the year ended 31 December 2018

	Notes	2018 €000	2017 €000
OPERATING ACTIVITIES			
Profit before income tax		1,549	(3,690)
Adjustments to reconcile profit before income tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	7	6,014	6,743
Amortisation of intangible assets	9	43	45
(Profit)/Loss on disposal of property, plant and equipment	4.7, 4.4	99	(61)
Movement in doubtful debt allowance	26	208	316
Movement in restoration provision	19	72	(1,360)
Expenses for employee benefit liability	20	57	60
Impairment of investments	10.1	92	200
Interest income	4.8	(1)	(1)
Interest expense	4.9	310	401
Dividend income		(920)	-
Working capital adjustments:			
(Increase)/Decrease in inventories		2,039	(446)
(Increase)/Decrease in trade and other receivables		(63)	1,667
Increase/(Decrease) in prepayments		19	55
Increase in other financial assets		(19)	(13)
Increase in trade and other payables		711	(950)
Income tax (paid)/received		-	(20)
Net cash flows from operating activities		10,210	2,946
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		261	98
Purchase of property, plant and equipment		(3,391)	(1,763)
Purchase of intangible assets		-	(2)
Loans granted to related parties		(5)	(40)
Loans repaid from related parties		31	51
Dividend received		920	-
Interest received		4	-
Net cash flows used in investing activities		(2,180)	(1,656)
FINANCING ACTIVITIES			
Proceeds from interest-bearing loans		32,465	34,988
Repayment of interest-bearing loans		(39,871)	(35,971)
Payments of finance lease liabilities		(52)	(50)
Repayment of loans from related parties		(271)	(98)
Interest paid		(313)	(400)
Net cash flows used in financing activities		(8,042)	(1,531)
Net increase/(decrease) in cash and cash equivalents		(12)	(241)
Merger		-	326
Cash and cash equivalents at 1 January		188	103
Cash and cash equivalents at 31 December	16	176	188

The financial statements have been approved on 7 March 2019 and signed as follows:

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Lidiya Taseva-Peeva
Registered auditor

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PricewaterhouseCopers Audit OOD

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. Corporate information

The annual separate financial statements of Zlatna Panega Cement AD (the Company) for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 7 March 2019.

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 2018 the Company was owned by:

- Iapetos 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.

According to the Bulgarian legislation, a decision of the General Meeting for approval of these annual financial statements can be subsequently revoked (by applying the relevant procedure) and in case it is considered appropriate, new revised financial statements can be prepared and issued for the same financial year.

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 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 2018, 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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.1. Basis of preparation (continued)

The accounting policies adopted are consistent with those of the previous financial year. The following amendments to standards have been adopted by the Company as of 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendment to IFRS Revenue from Contracts with Customers
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Annual Improvements to IFRS standards 2014-2016 cycle
- Interpretation 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IAS 40 - Transfers to Investment Property

The company had to change its accounting policies following the adoption of IFRS 9 and IFRS 15. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Standards issued but not yet effective and not early adopted up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt those standards when they become effective.

IFRS 16 Leases was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Impact

The Company has set up a project team which has reviewed all of the Company's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. 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 347 thousand. (see Note 25). Of these commitments, approximately EUR 27 thousand relate to short-term leases will be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments the Company expects to recognize right-of-use assets of approximately EUR 311 thousand on 1 January 2019, lease liabilities of EUR 311 thousand (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018)

EBITDA results is expected to increase by approximately EUR 118 thousand, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately EUR 109 thousand as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The Company's activities as a lessor are not material and hence the company does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by the company

The Company will apply the standard from its mandatory adoption date of 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.1. Basis of preparation (continued)

The standards listed below are not yet effective and are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

- **IFRIC 23 Uncertainty over Income Tax Treatments** (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019)
- **Amendments to IFRS 9 Prepayment Features with Negative Compensation** – (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019)
- **Amendments to IAS 28** (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019) Long-term Interests in Associates and Joint Ventures
- **Amendments to IFRS 10 and IAS 28** (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

New standards, interpretations and amendments not yet adopted by the EU

- **IFRS 14, Regulatory Deferral Accounts** (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016).
- **IFRS 17 Insurance Contracts** (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).
- **Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23** (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019)
- **Amendments to IAS 19** (issued on 7 February 2017 and effective for annual periods beginning on or after 1 January 2019)
- **Amendments to References to the Conceptual Framework in IFRS Standards** (issued on 29 March 2018 and it is expected to be endorsed in 2019)
- **Amendments to IFRS 3 - Definition of a business** (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts 1 January 2020)
- **Amendments to IAS 1 and IAS 8 – Definition of materiality** (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020)

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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.2. Summary of significant accounting policies (continued)

b) Revenue recognition

Sales of finished products and goods for resale

Sales of finished products and goods for resale include sales of cement, clinker and concrete. Sales are recognized when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the client's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the client, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The inventory is often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 75 days, which is consistent with market practice.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales of services

Sales of services include mainly pumping services. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual service provided spent relative to the total contracted services necessary for completion of the performance obligation.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Company has a right to invoice.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

The adoption of IFRS 15 as of 1 January 2018 resulted in no need for adjustment of the comparative information.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.2. Summary of significant accounting policies (continued)

b) Revenue recognition

Accounting policy till 31 December 2017

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.

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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.2. Summary of significant accounting policies (continued)

c) Taxes (continued)

Deferred income tax (continued)

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.

d) Financial instruments - initial recognition and subsequent measurement

Investments and other financial assets

(i) Classification

From 1 January 2018, the company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.2. Summary of significant accounting policies (continued)

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

Investments and other financial assets (continued)

(i) Classification

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 75 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in Note 26.

Other finance assets at amortised cost

The Company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

2.2. Summary of significant accounting policies (continued)

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

Investments and other financial assets (continued)

Debt instruments (continued)

- Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value at other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- Assets that do not meet the criteria for amortised cost or fair value at other comprehensive income are measured at fair value through profit and loss. A gain or loss on a debt investment that is subsequently measured at fair value at profit and loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of financial assets at fair value at profit and loss are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value at other comprehensive income are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value in other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 26 for further details.

The company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Accounting policy till 31 December 2017

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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.2. Summary of significant accounting policies (continued)

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

Investments and other financial assets (continued)

Accounting policy till 31 December 2017 (continued)

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 10.1.

Loans and receivables

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

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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.2. Summary of significant accounting policies (continued)

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

Investments and other financial assets (continued)

Accounting policy till 31 December 2017 (continued)

Financial assets carried at amortised cost

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

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

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

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.

2.2. Summary of significant accounting policies (continued)

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

Financial liabilities (continued)

Subsequent measurement (continued)

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 27. 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.

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.

2.2. Summary of significant accounting policies (continued)

f) Fair value measurement (continued)

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.

h) Non-current assets held for sale

The Company classifies non-current assets 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 are measured at the lower of their carrying amount and fair value less costs to sell.

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

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.

Additional disclosures are provided in Note 12.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.2. Summary of significant accounting policies (continued)

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 commence 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 50 years
Plant and machinery	5 to 50 years
Vehicles	5 to 25 years
Furniture and fittings	5 to 15 years

Spare parts

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

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

The 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 cannot 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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.2. Summary of significant accounting policies (continued)

j) Leases (continued)

Company as a lessor

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

k) Investment properties

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

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	7 years
Computer software	7 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.

2.2. Summary of significant accounting policies (continued)

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 using weighted average basis

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

o) Impairment of non-financial assets

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

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

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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.2. Summary of significant accounting policies (continued)

q) Provisions (continued)

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 20.

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 or more, 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).

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

2.2. Summary of significant accounting policies (continued)

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.

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. The Company changed the assumptions used with regards to costs per th.sq.m., the area subject to restoration, as well as the period for restoration based on an updated analysis of the restoration liability, as well as activities related to the restoration.

As at 31 December 2018 the major assumptions used for calculation of the restoration provision included: (1) expected costs of EUR 1,271-1,466 per th.sq.m. (2017: EUR 1,271-1,466 per th.sq.m.); (2) area that is subject to restoration from the total disrupted area: 65%-87% (2016: 65%-87%); (3) period is expanded till 2032, based on a decision of the Ministry Council; (4) discount factor – 0,75% (2017: 1%); (5) inflation – 2-3% (2017: 2-3%). At 31 December 2018 the best estimate of the restoration provision was EUR 1,001 thousand (31 December 2017: EUR 929 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 2018. 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 2018 is EUR 614 thousand (31 December 2017: EUR 613 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 2018 of EUR 190 thousand (31 December 2018: EUR 187 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).

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018

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

Estimates and assumptions (continued)

Impairment of receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. At 31 December 2018 the best estimate of the allowance for impairment of receivables is EUR 1,632 thousand (31 December 2017: EUR 1,316 thousand). Details of the key assumptions and inputs used are disclosed in Note 26.

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 2018 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.

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 2018 based on present production levels of clinker are gradually decreasing. For the period ending 31 December 2018 their amount is 717,380 tons. The allowance received in 2018 and the outstanding balance of the CO2 account in the registry will fully cover the estimated consumption of 469,318 tons CO2 for 2018.

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

4. Expenses and other revenues**4.1 Cost of sales**

	<u>2018</u>	<u>2017</u>
	€000	€000
Variable costs		
Distribution expenses – freight	(7,171)	(7,464)
Kiln fuel	(7,508)	(7,342)
Raw materials	(4,544)	(5,109)
Electricity	(4,194)	(3,837)
Refractory	(551)	(541)
Fuel and oil	(513)	(426)
Grinding media	(16)	(118)
Other expenses	(791)	(922)
Fixed costs		
Depreciation	(5,744)	(6,473)
Plant salaries, wages and related expenses	(2,810)	(2,682)
Packaging costs (including related staff cost)	(1,230)	(1,208)
Contract labour	(959)	(1,186)
Repair and maintenance – spare parts	(893)	(1,052)
Insurance and taxes	(120)	(104)
Plant utilities	(73)	(88)
Amortization	(34)	(36)
Lining	(7)	(22)
Inventory change	(1,123)	(756)
Other fixed costs	(1,298)	(1,665)
	<u>(39,579)</u>	<u>(41,031)</u>

4.2 Selling and distribution costs

	<u>2018</u>	<u>2017</u>
	€000	€000
Salaries and related expenses	(273)	(278)
Car related expenses	(82)	(92)
Advertising and promotion	(41)	(33)
Travel - entertainment	(23)	(29)
Insurance and taxes	(19)	(32)
Utilities	(10)	(10)
Other	(55)	(54)
	<u>(503)</u>	<u>(528)</u>

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

4. Expenses and other revenues (continued)**4.3 Administrative expenses**

	2018	2017
	€000	€000
Salaries and related expenses	(1,730)	(1,764)
Management fees	(824)	(955)
Security	(358)	(703)
Depreciation	(270)	(270)
Utilities	(233)	(198)
Consultancy fees	(195)	(226)
Insurance and taxes	(181)	(189)
Car related expenses	(175)	(222)
Travel – entertainment	(116)	(96)
Donations	(68)	(112)
Audit fees	(53)	(51)
Amortization	(9)	(9)
Other	(317)	(416)
	(4,529)	(5,211)

4.4 Other expenses

	2018	2017
	€000	€000
Retirement benefit charge (Note 20)	(45)	(45)
Cost of goods, materials and scrap sold	(49)	(63)
Staff leaving indemnities	(165)	(88)
Expenses for liquidation assets	(51)	-
Net movement in unused paid leave (Note 21)	(3)	(70)
Losses from sales of fixed assets	(99)	-
Write off of material	(57)	(21)
Restoration provision (Note 19)	-	1,369
Other	(118)	(94)
	(587)	988

4.5 Expenses by nature

	2018	2017
	€000	€000
Materials used and recognised as an expense	(19,635)	(20,176)
Hired services	(12,463)	(13,802)
Depreciation (Note 7)	(6,014)	(6,743)
Employee benefits expense (Note 4.6)	(5,154)	(5,114)
Change in work in progress and finished goods	(1,123)	(756)
Amortisation (Note 9)	(43)	(45)
Other	(766)	854
Total cost of sales, selling and distribution, administrative and other expenses	(45,198)	(45,782)

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

4. Expenses and other revenues (continued)**4.6 Employee benefits expense**

	<u>2018</u>	<u>2017</u>
	€000	€000
Wages and salaries	(3,806)	(3,769)
Social security costs	(672)	(649)
Retirement benefits (Note 20)	(45)	(45)
Other related expenses	(631)	(651)
	<u>(5,154)</u>	<u>(5,114)</u>

4.7 Other income

	<u>2018</u>	<u>2017</u>
	€000	€000
Rendering of other services	118	59
Refund of excise	58	70
Sale of scrap and materials	56	80
Sale of goods and rent of offices	22	35
Profit on sale of property, plant and equipment	-	61
Other	48	61
	<u>302</u>	<u>366</u>

4.8 Finance income

	<u>2018</u>	<u>2017</u>
	€000	€000
Income from participations (Dividends)	920	-
Foreign exchange gains, net	8	-
Bank accounts	3	3
Interest income from loans provided to related parties (Note 23)	1	1
Other	-	4
	<u>932</u>	<u>8</u>

4.9 Finance costs

	<u>2018</u>	<u>2017</u>
	€000	€000
Interest expenses:		
Bank loans and overdrafts	(303)	(389)
Loans received from related parties (Note 23)	(4)	(7)
Finance lease	(3)	(5)
Impairment of investments (Note 10)	(92)	(200)
Discounted deferred receivables	-	(80)
Fee expense	(87)	(92)
Effect from discounting of restoration provision (Note 19)	(8)	(9)
Interest expense on retirement benefit obligation (Note 20)	(12)	(15)
Foreign exchange losses, net	-	(28)
Other finance costs	(64)	-
	<u>(573)</u>	<u>(825)</u>

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018
All amounts are in EUR thousand unless otherwise stated

5. Income tax

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	2018	2017
	€000	€000
Deferred tax income/(expense)	(154)	214
Income tax (expense)/credit reported in profit or loss	(154)	214

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

	2018	2017
	€000	€000
Deferred tax income related to actuarial losses on retirement benefit liability	(1)	8
Deferred tax charged directly to other comprehensive income	(1)	8

In 2018 the nominal statutory tax rate is 10% (2017: 10%). For 2019 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 2018 and 2017 are:

	2018	2017
	€000	€000
Accounting profit before income tax	1,549	(3,690)
Income tax expense at statutory tax rate of 10% for 2018 (2017: 10%)	(155)	369
Expenses not deductible for tax purposes	(20)	(19)
Revenue not subject to tax	92	
Tax losses for which no deferred income tax assets was recognised	(71)	(136)
Income tax (expense)/income	(154)	214

Deferred income tax at 31 December 2018 and 31 December 2017 relates to the following:

	Balance Sheet		Profit or loss for the year		Other Comprehensive Income	
	2018	2017	2018	2017	2018	2017
	€000	€000	€000	€000	€000	€000
<i>Deferred tax liability</i>						
Accelerated depreciation for tax purposes	981	802	(179)	299	-	-
	981	802				
<i>Deferred tax asset</i>						
Unused leave allowance	(19)	(19)	-	7	-	-
Restoration provision	(100)	(93)	7	(136)	-	-
Retirement benefits	(61)	(61)	1	12	(1)	8
Impairment of receivables	(160)	(152)	8	12	-	-
Impairment of investments	(29)	(20)	9	20		
	(369)	(345)				
Deferred tax income/(expense)			(154)	214	(1)	8
Deferred tax liability, net	612	457				

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

5. Income tax (continued)

Reconciliation of deferred tax liability:

	2018	2017
	€000	€000
At the beginning of the year	457	679
Tax income during the period, recognized in profit or loss	154	(214)
Tax income during the period, recognized in other comprehensive income	1	(8)
At the end of the year	612	457
	2018	2017
	€000	€000
Deferred tax asset		
Deferred tax asset to be recovered after more than 12 months	(180)	(173)
Deferred tax asset to be recovered within 12 months	(189)	(172)
	(369)	(345)
Deferred tax liability		
Deferred tax liability to be recovered after more than 12 months	981	802
	981	802
Deferred tax liabilities (net)	612	457

The Company has incurred tax losses as follows:

Tax period	Period for utilization of tax losses carried forward	31.12.2018	31.12.2017
		€000	€000
2018	2018 through 2022	711	-
2017	2017 through 2021	1,361	1,361
		2,072	1,361
Applicable tax rate		10%	10%
Unrecognized deferred tax asset		207	136

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 2018 and 31 December 2017

		Fair value measurement using			
Date of valuation		Quoted prices in active markets (Level 1)		Significant observable inputs (Level 2)	
		Significant unobservable inputs (Level 3)			
		Total			
		€000	€000	€000	€000
Assets for which fair values are disclosed:					
Loans and receivables (Note 23)					
Fixed rate loans to related parties	31.12.2018	49	-	-	49
Fixed rate loans to related parties	31.12.2017	74	-	-	74
Investment properties (Note 8)					
Retail property	31.12.2018	719	-	-	719
Retail property	31.12.2017	719	-	-	719

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

6. Fair value measurement (continued)
Quantitative disclosures of fair value measurement hierarchy as of 31 December 2018 and 31 December 2017

	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)
		€000	€000	€000	€000
Liabilities for which fair values are disclosed:					
Interest-bearing loans					
Floating rate loans (Note 18)	31.12.2018	7,033	-	7,033	-
Floating rate loans (Note 18)	31.12.2017	14,442	-	14,442	-
Floating rate loans from related parties	31.12.2018	14	-	14	-
Floating rate loans from related parties	31.12.2017	285	-	285	-
There have been no transfers between Level 1 and Level 2 during the period.					

7. Property, plant and equipment

	Land and buildings	Plant and machinery	Vehicles	Furniture and fittings	Assets under construction	Total
	€000	€000	€000	€000	€000	€000
Cost:						
At 1 January 2017	23,021	102,134	1,436	1,516	3,238	131,345
Effect of merger	4,458	6,992	3,179	356	424	15,409
Additions	-	13	29	8	1,715	1,765
Transfers	474	1,465	-	47	(1,986)	-
Transfers to intangible assets (Note 9)	-	-	-	-	(2)	(2)
Transfers to assets held for sale (Note 8)	(353)	-	-	-	-	(353)
Disposals	(37)	(18)	(274)	(99)	-	(428)
At 31 December 2017	27,563	110,586	4,370	1,828	3,389	147,736
Additions	26	47	14	1	3,302	3,390
Transfers	-	140	-	6	(146)	-
Transfers from assets held for sale (Note 8)	353	-	-	-	-	353
Disposals	-	(532)	(313)	(32)	-	(877)
At 31 December 2018	27,942	110,241	4,071	1,803	6,545	150,602
Depreciation:						
At 1 January 2017	7,366	55,290	1,320	1,289	-	65,265
Effect of merger	708	3,353	1,797	262	-	6,120
Depreciation charge for the year	914	5,622	136	71	-	6,743
Disposals	-	(18)	(274)	(99)	-	(391)
At 31 December 2017	8,988	64,247	2,979	1,523	-	77,737

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018
All amounts are in EUR thousand unless otherwise stated

7. Property, plant and equipment (continued)

	Land and buildings	Plant and machinery	Vehicles	Furniture and fittings	Assets under construction	Total
	€000	€000	€000	€000	€000	€000
At 1 January 2018	8,988	64,247	2,979	1,523	-	77,737
Depreciation charge for the year	926	4,878	137	73	-	6,014
Disposals	-	(183)	(300)	(34)	-	(517)
At 31 December 2018	9,914	68,942	2,816	1,562	-	83,234
Carrying value:						
At 1 January 2017	15,655	46,844	116	227	3,238	66,080
At 31 December 2017	18,575	46,339	1,391	305	3,389	69,999
At 31 December 2018	18,028	41,299	1,255	241	6,545	67,368

As at 31 December 2018 major spare parts of EUR 2,110 thousand (2017: EUR 2,314 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, civil work-water drainage, clinker B silo and others.

Borrowing costs

As at 31 December 2018 and 31 December 2017 no borrowing costs 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 carrying value of the assets exceed their recoverable amount. Therefore, no impairment of property, plant and equipment has been recognized at 31 December 2018 (31 December 2017: Nil).

8. Investment property

	2018	2017
	€000	€000
At 1 January	719	719
Closing balance at the period end	719	719

As of 31 December 2018 and 31 December 2017 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 2018.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018
All amounts are in EUR thousand unless otherwise stated

8. Investment property (continued)

Description of valuation techniques and key inputs used to determine the fair value as at 31 December 2018

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land		Estimated value per sq. m. on the basis of ask prices for comparable properties	€104 - € 147
	Market Comparables Method	Ask price discount	10%
Retail properties		Estimated value per sq. m. on the basis of ask prices for comparable properties	€689 - € 1,083
	Market Comparables Method	Ask price discount	5%
Residential apartments		Estimated value per sq. m. per month on the basis of ask prices for comparable properties	€450 - €899
	Market Comparables Method	Ask price discount	5%-15%

Description of valuation techniques and key inputs used to determine the fair value as at 31 December 2017

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Land		Estimated value per sq. m. on the basis of ask prices for comparable properties	€89 - € 183
	Market Comparables Method	Ask price discount	15%
Retail properties		Estimated value per sq. m. on the basis of ask prices for comparable properties	€692 - € 989
	Market Comparables Method	Ask price discount	5%
Residential apartments		Estimated value per sq. m. per month on the basis of ask prices for comparable properties	€485 - €682
	Market Comparables Method	Ask price discount	10%-15%

9. Intangible assets

	Concession rights	Licences	Computer software	Total
	€000	€000	€000	€000
Cost:				
At 1 January 2017	41	112	348	501
Effect of merger		56	86	142
Transfer from assets under construction (Note 7)		2		2
At 31 December 2017	41	170	434	645
At 1 January 2018	41	170	434	645
At 31 December 2018	41	170	434	645

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

9. Intangible assets (continued)

	Concession rights	Licences	Computer software	Total
	€000	€000	€000	€000
Amortisation and impairment:				
At 1 January 2017	39	112	184	335
Effect of merger		43	86	129
Amortisation charge for the year	2	2	41	45
At 31 December 2017	41	157	311	509
At 1 January 2018	41	157	311	509
Amortisation charge for the year	-	2	41	43
At 31 December 2018	41	159	352	552
Carrying value:				
At 1 January 2017	2	-	164	166
At 31 December 2017	-	13	123	136
At 31 December 2018	-	11	82	93

Impairment of intangible assets

The Company has carried out a review for existence of impairment indicators at 31 December 2018. 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	
		2018	2017
Titan Investment EAD	Bulgaria	100%	100%
Gravel and Sand Pits – Bulgaria EAD	Bulgaria	100%	100%

The investments in subsidiaries are measured at cost as follows:

	2018	2017
	€000	€000
Titan Investment EAD	688	780
Gravel and Sand Pits Bulgaria EAD	69	69
	757	849

The investment acquired in 2017 in Titan Investment EAD was a result of the merger of Zlatna Panega Beton EOOD and Zlatna Panega Cement AD as disclosed in Note 28. The Company has recognized impairment of its investment in Titan Investment EAD of EUR 92 thousand (31 December 2017: EUR 200 thousand). 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 Financial assets at fair value in other comprehensive income

The Company has a 9% participation in Granitoid AD, the majority shareholder of which is Iapetos 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 2018 and 31 December 2017.

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

10.2 Financial assets at fair value in other comprehensive income (continued)

As a result of the adoption of IFRS 9 the entity has reclassified available for sale financial assets to financial assets at fair value in other comprehensive income as at 01.01.2018.

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 2018 the amount deposited and restricted for this purpose is EUR 142 thousand (31 December 2017: EUR 123 thousand). It earns interest at 2.5% per annum. As of 31 December 2018 Other financial assets include other deposits of EUR 30 thousand (31 December 2017: EUR 30 thousand).

12. Non-current assets held for sale

	2018	2017
	€000	€000
At 1 January	353	-
Transfer (to)/from property, plant and equipment (Note 7)	(353)	353
At 31 December	-	353

13. Inventories

	2018	2017
	€000	€000
Spare parts	6,068	6,454
Work in progress	787	2,110
Raw materials	1,273	1,813
Finished goods	724	575
Packaging materials	541	480
	9,393	11,432

14. Trade and other receivables

	2018	2017
	€000	€000
Short - term trade receivables	4,363	3,865
Receivables under court procedure	2,137	2,318
Less: Provision for impairment	(1,632)	(1,316)
Short - term trade receivables, net	4,868	4,867
VAT receivable	66	87
Other receivables	228	651
Total short – term trade and other receivables, net	5,162	5,605

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

Trade and other receivables EUR 49 thousands are denominated in EUR (31 December 2017: EUR 51).

All other receivables are denominated in BGN.

15. Prepayments

	2018	2017
	€000	€000
Prepayments to third parties	7	26
	7	26

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

16. Cash and cash equivalents

	2018	2017
	€000	€000
Cash at bank (investment grade banks)	168	183
Cash in hand	8	5
	176	188

Cash at bank earns interest at floating rates based on daily bank deposit rates. As of 31 December 2018 the fair value of cash and cash equivalents is EUR 176 thousand (31 December 2017: EUR 188 thousand).

Cash and cash equivalents are denominated in the following currencies:

	2018	2017
	€000	€000
BGN	164	170
EUR	10	10
USD	2	8
	176	188

17. Issued capital and reserves**17.1 Issued capital**

	2018	2017
	€000	€000
Ordinary shares of EUR 0.51 each, as per court registration	16,450	16,450
Hyperinflation adjustment	12,152	12,152
	28,602	28,602

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.

	Number of ordinary shares (thousands)	Authorised capital
At 1 January 2017	32,173	16,450
At 31 December 2017	32,173	16,450
At 31 December 2018	32,173	16,450

All ordinary shares issued were fully paid.

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.

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

18. Interest-bearing loans from banks

	Interest rate %	Maturity	2018 €000	2017 €000
Current				
(1) Overdraft facility with limit of BGN 10,000 thousand	1M Sofibor + spread	28 February 2018	-	3,257
(2) Long-term bullet loan with total limit of BGN 24,000 thousand for working capital needs and capital expenditure: short-term portion	RIR + spread	28 February 2019	1,534	3,068
(3) Revolving credit facility with total limit of BGN 10,757 thousand		31 December 2018	-	3,377
(4) Overdraft facility with limit of BGN 9,000 thousand	RIR + spread	15 June 2019	4,128	-
Outstanding balance of credit cards, repayable on 31.03.2019			9	3
			5,671	9,705
Non-Current				
(1) Overdraft facility with limit of BGN 9,000 thousand	1M Sofibor + spread	15 June 2019	-	3,203
(2) Revolving credit facility with total limit of BGN 10,000 thousand	RIR +spread	30 April 2020	1,362	-
(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	28 February 2019	-	1,534
			1,362	4,737

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

As at 31 December 2018, the Company has available EUR 7,033 thousand (31 December 2017: EUR 14,442 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 2017 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.

Change in loans from banks during the year is as follows:

	2018 €000	2017 €000
At the beginning of the year	14,442	15,426
Loans received	32,465	34,988
Loans repaid	(39,871)	(35,971)
Interest expense	303	389
Interest paid	(306)	(390)
	7,033	14,442

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018
All amounts are in EUR thousand unless otherwise stated

19. Restoration provision

	<u>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
At 1 January	929	2,289
Arising during the year (Note 4.1)	-	(1,369)
Unwinding of discount (Note 4.9)	72	9
At 31 December	<u>1,001</u>	<u>929</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>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
Current service cost (Note 4.4)	45	45
Interest cost (Note 4.9)	12	15
Net benefit expense recognised in the statement of other comprehensive income	<u>57</u>	<u>60</u>
Actuarial profit recognized in other comprehensive income	<u>(14)</u>	<u>81</u>

Benefit liability

	<u>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
Present value of retirement benefit obligation	614	613
Benefit liability recognized in the balance sheet	<u>614</u>	<u>613</u>

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

	<u>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
Retirement benefit obligation at 1 January	613	415
Effect of merger	-	67
Interest cost	12	15
Current service cost	45	45
Benefits paid	(42)	(10)
Actuarial losses on obligation	(14)	81
Retirement benefit obligation at 31 December	<u>614</u>	<u>613</u>

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

20. Retirement benefits (continued)

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

	2018	2017
Discount rate	2.0 %	3.0 %
Future salary increases	2.7 %	2.0 %
Staff turnover	0-21 %	0-13 %

A quantitative sensitivity analysis for significant assumptions as at 31 December 2018 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	(17)	18	70	(61)	(67)	69

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:

	2018	2017
	€000	€000
Within the next 12 months	35	66
Between 2 and 5 years	158	236
Between 6 and 10 years	338	532
Beyond 10 years	2,622	2,987
Total expected payments	3,153	3,821

The average duration of the defined benefit plan obligation at the end of the reporting period is 17 years (2017: 17 years).

21. Trade and other payables

	2018	2017
	€000	€000
Trade payables from domestic suppliers	3,285	3,099
Trade payables from foreign suppliers	1,332	1,100
Trade payables	4,617	4,199
Customer prepayments and other accruals	506	337
Unused paid leave	190	187
Other taxes	177	80
Social security	73	68
Insurance premium payable	22	17
Payroll taxes	35	35
Other payables	166	173
	5,786	5,096

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.

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

22. Finance lease liabilities

The Company acquired vehicles under finance lease contracts.

As at 31 December 2018 the lease liability is EUR 84 thousand and as at 31 December 2017 EUR 136 thousand.

	Minimum payments	2018 Present value of payments	Minimum payments	2017 Present value of payments
	€000	€000	€000	€000
Within one year	46	46	57	54
From one to five years	39	38	84	82
Total minimum lease payments	<u>85</u>	<u>84</u>	<u>141</u>	<u>136</u>
Less finance charges	(1)	-	(5)	-
Present value of minimum lease payments	<u>84</u>	<u>84</u>	<u>136</u>	<u>136</u>

23. Related party disclosures*The ultimate parent*

The ultimate parent of the Company is Titan Cement Company SA, incorporated in Greece and listed on the Athens Stock Exchange.

Entity with controlling interest in the Company

The Company is controlled by Iapetos 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. Zlatna Panega Beton EOOD discontinued its existence after a merger with Zlatna Panega Cement effective from 04 January 2017.

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 Cemento Beton, GAEA – Green Alternative Energy Assets EAD and Zlatna Panega Cement AD are related parties because they are under the common control of Titan Cement Company SA (the ultimate parent).

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

23. 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.	2018	-	824	-	220
Titan Cement Company S.A.	2017	-	993	-	222
<i>Other related parties</i>					
Cementarnica Usje AD	2018	424	-	31	-
Cementarnica Usje AD	2017	598	-	8	-
Holcim Karierni Materiali AD	2018	-	392	-	93
Holcim Karierni Materiali AD	2017	-	279	-	66
Holcim Karierni Materiali Plovdiv AD	2018	-	63	-	3
Holcim Karierni Materiali Plovdiv AD	2017	-	44	-	12
Vris	2018	3	10	-	1
Vris	2017	-	9	-	-
Adocim Marmara Cimento	2018	-	-	-	-
	2017	1,091	-	-	-
Interbeton SA	2018	21	-	-	-
Interbeton SA	2017	-	-	-	-
GAEA – Green Alternative Energy Assets EAD	2018	10	317	-	137
GAEA – Green Alternative Energy Assets EAD	2017	11	130	-	91
	2018			31	454
	2017			8	391

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 0 thousand as at 31 December 2018 (31 December 2017: EUR nil).

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

23. 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>					
Gravel and Sand Pits EAD	2018		4		-
Gravel and Sand Pits EAD	2017		7		271
<i>Other related parties</i>					
Granitoid AD	2018	1	-	49	-
Granitoid AD	2017	1	-	43	-
GAEA – Green Alternative Energy Assets EAD	2018	-	-	-	14
GAEA – Green Alternative Energy Assets EAD	2017	-	-	-	14
Trojan Cement DOOEL	2018	-	-	-	-
Trojan Cement DOOEL	2017	-	-	31	-
	2018			<u>49</u>	<u>14</u>
	2017			<u>74</u>	<u>285</u>

As at 31 December 2018 included in the amounts due from related parties in respect of loans granted is interest receivable from Granitoid at the respective amount of EUR 11 thousand (31 December 2017: EUR 11 thousand).

Loans due from related parties*Granitoid AD*

As at 31 December 2018 Zlatna Panega Cement AD has provided a loan to Granitoid AD the amount of EUR 49 thousand (2017: EUR 43 thousand). The intercompany loan is intended to finance the working capital needs of Granitoid. The loan is unsecured and is repayable in April 2019. Interest is charged at 1M reference interest rate rate plus spread of 2.2%.

Loans owed to related parties*GAEA – Green Alternative Energy Assets EAD*

As of 31 December 2018 the Company has obtained a loan from GAEA – Green Alternative Energy Assets EAD at the total amount of EUR 14 thousand (31 December 2017: EUR 14 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 2019. Interest is charged at interest rate of 1 M reference interest rate plus spread of 2.9%.

Gravel and Sand Pits Bulgaria AD

As of 31 December 2017 the Company has a loan from Gravel and Sand Pits Bulgaria AD at the total amount of EUR 0 thousand (31 December 2017: EUR 271 thousand). The intercompany loan was acquired as a result of the merger with Zlatna Panega Beton EOOD.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018
All amounts are in EUR thousand unless otherwise stated

23. Related party disclosures (continued)

Change in loans received during the year is as follows:

	<u>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
At the beginning of the year	285	13
Loans received	-	370
Loans repaid	(271)	(99)
Interest expense (Note 4.9.)	4	7
Interest paid	(4)	(6)
	<u>14</u>	<u>285</u>

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. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the Company has not recorded any impairment of receivables relating to amounts owed from related parties (2017: 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>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
Remuneration	309	315
	<u>309</u>	<u>315</u>

24. Dividends distributed

During the year ended 31 December 2018 the General Meeting of Shareholders voted not to distribute any dividends (during 2017: EUR Nil).

25. Commitments and contingencies

	<u>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
Capital commitments	969	1,156

Capital commitments

At 31 December 2018 the Company has capital commitments of EUR 969 thousand (31 December 2017: EUR 1,156 thousand) related to the completion of capital projects including: Prepare design, fabricate and reinforced the Hybrid filter stack of Line No4, Modification of Storage Silo, Modification of gas, Upgrade of Coal mill.

Legal claims

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

Bank guarantees

As at 31 December 2018 the Company provided a total EUR 1,894 thousands of bank guarantees (2017: EUR 986 thousand).

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

25. Commitments and contingencies (continued)**Other**

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

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

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 2018, 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 2018 and 31 December 2017 are as follows:

	<u>2018</u>	<u>2017</u>
	€000	€000
Within one year	173	205
After one year but not more than five years	174	272
	<u>347</u>	<u>477</u>

26. Financial risk management objectives and policies

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

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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018
All amounts are in EUR thousand unless otherwise stated

26. Financial risk management objectives and policies (continued)

	Increase/decrease in basis points	Effect on profit before tax
	€000	€000
2018		
Loans in BGN	+200	(188)
Loans in BGN	-100	98
2017		
Loans in BGN	+200	(262)
Loans in BGN	-100	137

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 2018

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest bearing loans	-	3,863	1,867	1,375	-	7,105
Finance lease liabilities		14	32	39		85
Trade payables	-	4,617	-	-	-	4,617
Other payables	-	166	-	-	-	166
Bank guarantees	-	998	186	710	-	1,894
Payables to related parties	-	468	-	-	-	468
	-	10,126	2,085	2,124	-	14,335

As of 31 December 2017

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	€000	€000	€000	€000	€000	€000
Interest bearing loans	-	6,395	3,490	4,764	-	14,649
Finance lease liabilities		16	41	84		141
Trade payables	-	4,199	-	-	-	4,199
Other payables	-	173	-	-	-	173
Payables to related parties	-	676	-	-	-	676
Bank guarantees	-	714	90	182	-	986
	-	12,173	3,621	5,031	-	20,824

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.

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

26. Financial risk management objectives and policies (continued)

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of borrowings carried at amortised cost, as well as credit exposures customers, including outstanding receivables.

Cash transactions are made only with financial institutions with high credit ratings. Cash and cash equivalents are held with banks having a credit rating of BBB or higher.

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 this Note. 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.

Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:

- Trade and court receivables for sales of inventory and from the provision of services
- Loans to related parties
- cash and cash equivalents

Impairment of financial assets – trade and court receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, court receivables analysed on individual basis and trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 24 month before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The ageing analysis of trade receivables and expected credit loss rates are as follows:

	Total	Neither past due	< 30 days	31-60 days	61-90 days	91-120 days	>120 days
	€000	€000	€000	€000	€000	€000	€000
31 December 2018							
Trade receivables	4,363	1,995	1,076	297	64	61	870
Expected loss rate		0%	0%	0.1%	0.1%	0.2%	0.2%
31 December 2017							
Trade receivables	3,865	2,087	836	322	119	122	379
Expected loss rate		0%	0%	0.1%	0.1%	0.2%	0.2%

On that basis, The Company concluded, that the expected credit losses of trade receivables are immaterial. Therefore the Company has not recognised impairment of trade receivables as at 31 December 2018 and 1 January 2018.

As at 31 December 2018, court receivables at nominal value of EUR 1,698 thousand (31 December 2017: EUR 1,754 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.

ZLATNA PANEGA CEMENT AD
NOTES TO THE SEPARATE FINANCIAL STATEMENTS (CONTINUED)
For the year ended 31 December 2018
All amounts are in EUR thousand unless otherwise stated

26. Financial risk management objectives and policies (continued)

Credit risk (continued)

Impairment of financial assets – trade and court receivables (continued)

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

	2018	2017
	€000	€000
At 1 January	1,316	1,304
Effect of merger	-	184
Change in accounting policy	272	-
Charge for the period (Note 4.4)	208	316
Utilized	(159)	(464)
Unused amounts reversed (Note 4.7)	(5)	(24)
At 31 December	1,632	1,316

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Accounting policy till 31 December 2017

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. 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/insolvency or other financial reorganisation and when 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.

Impairment of financial assets – other financial assets

Other financial assets of the Company include borrowings provided to related parties and deposits. These financial assets are also subject to the impairment requirements of IFRS 9, but the identified impairment loss was immaterial.

Net impairment losses on financial assets recognised in profit or loss

	2018	2017
	€000	€000
Charge for the period	208	316
Unused amounts reversed	(5)	(24)
At 31 December	204	292

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 2018 and 31 December 2017. The Company monitors its equity capital using gearing ratio and earnings before interest, tax, depreciation and amortization (EBITDA) for the period.

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

26. Financial risk management objectives and policies (continued)*Capital management (continued)*

On the basis of the rules and principles followed consistently by Titan Group in this respect, gearing ratio and EBITDA is as follows:

	<u>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
Total borrowings (note 18)	7,033	14,442
Less: cash and cash equivalents (note 16)	(176)	(188)
Net debt	<u>6,857</u>	<u>14,254</u>
Total equity	68,353	67,217
Total capital	<u>75,210</u>	<u>81,471</u>
Gearing ratio	9,12%	17.50%
	<u>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>
EBITDA	<u>7,247</u>	<u>3,915</u>

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

27. 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>€000</u>	<u>€000</u>	<u>€000</u>	<u>€000</u>
<i>Financial assets</i>				
Trade receivables	4,868	4,867	4,868	4,867
Receivables from related parties	31	8	31	8
Loans to related parties	49	74	49	74
Other financial assets	172	153	172	153
Cash and cash equivalents	176	188	176	188
Financial assets at FVOCI	24	24	24	24
<i>Financial liabilities</i>				
Interest bearing loans and borrowings	7,033	14,442	7,033	14,442
Trade payables	4,617	4,199	4,617	4,199
Other payables	166	173	166	173
Payables to related parties	454	391	454	391
Loans from related parties	14	285	14	285

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;

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

27. Fair value of financial instruments (continued)

- Other non-current financial assets represent a deposit restricted in accordance with the quarry concession agreement. As of 31 December 2018 and 31 December 2017 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 201 and 31 December 2016 was assessed to be insignificant.

28. Merger of entities under common control

Business combinations under common control are accounted for using predecessor accounting method. Under this method, the Company incorporates the assets and liabilities of the acquired entity using the acquired entity's carrying amounts of assets and liabilities from the consolidated financial statements of the parent entity ('predecessor value method'); these amounts include any goodwill recognised in the consolidated financial statements of the parent related to the acquired entity. Any difference between the carrying amount of the investment in the acquiree (if the surviving entity owned acquiree before the legal merger) or the consideration transferred and the net assets of the acquiree is recognised in equity. The acquired entity's results are included in the Company's financial statements prospectively: the financial statements reflect the result of both entities from the date on which the business combination between the entities under common control occurred in these separate financial statements. The corresponding amounts for the previous year are not restated. Intercompany balances and unrealized gains and losses on transactions with the acquired entity are eliminated. The share capital reflects the share capital of the acquirer for all periods presented.

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 04 January 2017. The merger is effectively accounted for as at 4 January 2017. The merger transaction is accounted for applying the predecessor accounting method.

In accordance with the accounting policy for the predecessor accounting, the carrying amounts of assets and liabilities of Zlatna Panega Beton EOOD recognised in the consolidated financial statements of Titan Cement Group (higher level controlling party) should be used. As these are the same amounts as the amounts which are recognised in the separate financial statements of Zlatna Panega Beton EOOD thus in effect the carrying amounts from the separate financial statements of Zlatna Panega Beton EOOD have been used. The share capital of Zlatna Panega Beton EOOD was eliminated; as the carrying amount of the investment held by Zlatna Panega Cement AD in Zlatna Panega Beton EOOD equals the share capital of Zlatna Panega Beton EOOD thus there was no difference arising on this merger; the only impact on equity is the recognition of other equity items of Zlatna Panega Beton EOOD (i.e. retained earnings and other reserves arising from other comprehensive income) generated before the legal merger. As a result of the merger, the share capital of Zlatna Panega Cement AD remained unchanged, as Zlatna Panega Beton EOOD was a fully owned subsidiary of Zlatna Panega Cement AD.

The transaction was accounted for prospectively from the date of the legal merger 04 January 2017, therefore the statement of financial position as at 31 December 2016 does not include the assets, liabilities, equity of Zlatna Panega Beton EOOD, as well as the statement of comprehensive income and the cash flow statement for the year ended 31 December 2016 do not include the income, expense and cash flows of the same entity. The tables below present the statement of financial position and statement of comprehensive income as if the merger was effective on the first date of the earliest period presented for information purposes.

The merger was shortly after the year end of comparative period, the impact of the merger at the date of the legal merger (04 January 2017) is the same as the impact on 31 December 2016 thus the Company does not present additional table with the impact on the date of the legal merger.

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

28. Merger of entities under common control (continued)**28.1. Impact on Statement of Financial Position at 1 January 2016**

	Zlatna Panega Beton EOOD	Zlatna Panega Cement AD	Adjustments	Comparative information as if the merger was recognised retrospectively
	€000	€000	€000	€000
ASSETS				
Non-current assets				
Property, plant and equipment	9,389	66,889	-	76,278
Investment property	-	806	-	806
Intangible assets	15	179	-	194
Investments in subsidiaries	-	8,490	(8,421)	69
Investments available for sale	-	24	-	24
Deferred tax asset	20	-	-	20
Other financial assets	21	102	-	123
	9,445	76,490	(8,421)	77,514
Current assets				
Inventories	135	7,801	-	7,936
Trade and other receivables	3,618	4,723	-	8,341
Receivables from related parties	1	7,129	(7,127)	3
Borrowings to related parties	-	4,718	(4,641)	77
Current income tax receivable	24	-	-	24
Advances paid	-	167	-	167
Cash and cash equivalents	106	145	-	251
	3,884	24,683	(11,768)	16,799
Assets held for sale	-	202	-	202
Total assets	13,329	101,375	(20,189)	94,515
Equity				
Share capital	8,421	28,602	(8,421)	28,602
Other reserves	-	1,645	-	1,645
Retained earnings	(8,151)	49,151	-	41,000
	270	79,398	(8,421)	71,247
LIABILITIES				
Non-current liabilities				
Bank borrowings	-	8,227	-	8,227
Provisions	-	2,259	-	2,259
Retirement benefits obligations	54	356	-	410
Deferred tax liabilities	-	792	-	792
	54	11,634	-	11,688
Current liabilities				
Trade and other payables	674	5,727	-	6,401
Bank borrowings	1	3,361	-	3,362
Payables to related parties	7,209	1,181	(7,127)	1,263
Borrowings from related parties	5,121	16	(4,641)	496
Current income tax payable	-	58	-	58
	13,005	10,343	(11,768)	11,580
Total liabilities	13,059	21,977	(11,768)	23,268
Total equity and liabilities	13,329	101,375	(20,189)	94,515

Adjustments in related party receivables, payables and borrowings represent the elimination of outstanding balances between the two entities.

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

28. Merger of entities under common control (continued)**28.2. Impact on Statement of Financial Position at 31 December 2016**

	Zlatna Panega Beton EOOD	Zlatna Panega Cement AD	Adjustments	Comparative information as if the merger was recognised retrospectively
	€000	€000	€000	€000
ASSETS				
Non-current assets				
Property, plant and equipment	9,389	66,889	-	76,278
Investment property	-	806	-	806
Intangible assets	15	179	-	194
Investments in subsidiaries	-	8,490	(8,421)	69
Investments available for sale	-	24	-	24
Deferred tax asset	20	-	-	20
Other financial assets	21	102	-	123
	9,445	76,490	(8,421)	77,514
Current assets				
Inventories	135	7,801	-	7,936
Trade and other receivables	3,618	4,723	-	8,341
Receivables from related parties	1	7,129	(7,127)	3
Borrowings to related parties	-	4,718	(4,641)	77
Current income tax receivable	24	-	-	24
Advances paid	-	167	-	167
Cash and cash equivalents	106	145	-	251
	3,884	24,683	(11,768)	16,799
Assets held for sale	-	202	-	202
Total assets	13,329	101,375	(20,189)	94,515
Equity				
Share capital	8,421	28,602	(8,421)	28,602
Other reserves	-	1,645	-	1,645
Retained earnings	(8,151)	49,151	-	41,000
	270	79,398	(8,421)	71,247
LIABILITIES				
Non-current liabilities				
Bank borrowings	-	8,227	-	8,227
Finance lease liabilities	-	-	-	-
Provisions	-	2,259	-	2,259
Retirement benefits obligations	54	356	-	410
Deferred tax liabilities	-	792	-	792
	203	13,198	-	13,401
Current liabilities				
Trade and other payables	674	5,727	-	6,401
Bank borrowings	1	3,361	-	3,362
Finance lease liabilities	-	-	-	-
Payables to related parties	7,209	1,181	(7,127)	1,263
Borrowings from related parties	4,997	13	(4,627)	383
Current income tax payable	-	20	-	20
	13,005	10,343	(11,768)	11,580
Total liabilities	13,059	21,977	(11,768)	23,268
Total equity and liabilities	13,329	101,375	(20,189)	94,515

Adjustments in related party receivables, payables and borrowings represent the elimination of outstanding balances between the two entities.

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

28. Merger of entities under common control (continued)
28.3. Impact on the Statement of comprehensive income for the period ended 31 December 2016

	Zlatna Panega Beton EOOD	Zlatna Panega Cement AD	Adjustments	Comparative information as if the merger was recognised retrospectively
	€000	€000	€000	€000
Sale of cement	-	33,699	(2,726)	30,973
Sales of clinker	-	1,536	-	1,536
Sales of concrete	6,444	-	-	6,444
Other revenue - pumping	443	-	-	443
Other revenue	-	85	-	85
Total revenue	6,887	35,320	(2,726)	39,481
Cost of sales	(7,115)	(29,895)	2,726	(34,284)
Gross profit	(228)	5,425	-	5,197
Other income	85	822	(27)	880
Distribution and marketing costs	(108)	(464)	-	(572)
Administrative expenses	(303)	(4,507)	27	(4,783)
Other expenses	(100)	(563)	-	(663)
Operating profit	(654)	713	-	59
Finance income	-	123	(119)	4
Finance expense	(178)	(371)	119	(430)
Profit before income tax	(832)	465	-	(367)
Income tax expense	(20)	(63)	-	(83)
Profit for the year	(852)	402	-	(450)
Actuarial losses on retirement benefit obligations	(3)	(31)	-	(34)
Income tax effect	-	3	-	3
Total comprehensive income for the year	(855)	374	-	(481)

Adjustments in revenue, cost of sales, other income and administrative expenses reflect the transactions between Zlatna Panega Beton EOOD and Zlatna Panega Cement AD for the year ended 31 December 2016, including sales of services and inventory. Adjustments in finance income and expense reflect the elimination of interest charged on loans between the two companies.

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

For the year ended 31 December 2018

All amounts are in EUR thousand unless otherwise stated

29. Change in accounting policy

As a result of the changes in the Company's accounting policies, prior year financial statements had to be restated. The adoption of IFRS 15 resulted in no restatement of comparative information and IFRS 9 was adopted without restating comparative information. The adjustments arising from the new impairment rules are reflected in the statement of financial position as at 1 January 2018.

The table below shows the adjustments for each individual item, lines of the financial statements that were not affected are not included:

	31 December 2017	IFRS 9	1 January 2018
Trade and other receivables	10,963	(532)	10,431
Retained earnings	72,307	(532)	71,775

30. Events after the reporting date

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