CEMENTARNICA “USJE” AD SKOPJE

FINANCIAL STATEMENTS
FOR GROUP CONSOLIDATION REPORTING PURPOSES

For the year ended 31 December 2009

TITAN
CEMENTARNICA USJE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of CEMENTARNICA "USJE" AD - Skopje

We have audited the condensed financial statements for group consolidation reporting purposes of Cementarnica USJE A.D. Skopje ("the Company"), which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes prepared for the sole purpose of consolidation into the Titan Cement Company S.A. consolidated financial statements, which are prepared in accordance with IFRS.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion based on the scope of our audit procedures. The scope of our audit procedures was established based on the tolerable error set for group reporting purposes, amounting to €2,200,000.

Opinion

In our opinion, based on the assigned tolerable error, for the sole purpose of inclusion in the consolidation of Titan Cement Company S.A., the condensed financial statements referred to above give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

This report is intended solely for the use of the Company and the ultimate Parent company and should not be used for any other purpose.

Ernst & Young Certified Auditors Ltd.
1 February 2010, Skopje

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009

	Notes	2009 MKD’000	2008 MKD’000
Sales	3a	4.401.272	4.625.088
Other revenue	3b	247.387	427.734
Cost of sales	3c	(2.304.872)	(3.094.905)
Gross profit		**2.343.787**	**1.957.917**
Other operating income	3d	45.587	91.419
Other operating expenses	3e	(231.545)	(75.152)
Selling and marketing expenses	3f	(50.871)	(38.898)
Administrative expenses	3g	(149.444)	(255.952)
Fly-ash disposed off		(19.150)	(18.719)
Depreciation	5	(275.589)	(256.243)
Profit from operating activities		**1.662.775**	**1.404.372**
Net finance (expense) / income	3h	(10.504)	25.300
Profit before income tax		**1.652.271**	**1.429.672**
Income tax expenses	4	115.552	140.509
Net profit for the year		**1.536.719**	**1.289.163**
Other comprehensive income		-	-
Total comprehensive income for the period		**1.536.719**	**1.289.163**

The accompanying notes form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
at 31 December 2009

	Notes	2009 MKD'000	2008 MKD'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2.336.121	2.485.443
Investment properties	6	35.796	5.284
Investment in subsidiary	7	157.921	157.765
Exploration and evaluation assets		16.010	-
Deferred tax assets	8	6.928	6.928
		2.552.776	**2.655.420**
Current assets			
Inventories	9	693.526	1.234.900
Trade and other receivables	10	105.677	278.654
Income tax receivable		10.406	63.456
Cash and cash equivalents	11	132.094	466.287
		941.703	**2.043.297**
TOTAL ASSETS		**3.494.479**	**4.698.717**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	1.747.730	1.747.730
Additional paid in capital	12	(14.869)	(14.869)
Retained earnings		826.429	1.549.112
Revaluation reserves	13	207.829	207.829
Legal reserves	14	363.337	363.337
		3.130.456	**3.853.139**
Non-current liabilities			
Provision for retirement benefits	15	61.154	49.800
Provision for rehabilitation of quarries	3j	16.894	16.894
Other non current liabilities		15.122	-
		93.170	**66.694**
Current liabilities			
Trade and other payables	16	259.720	758.586
Current portion of retirement benefit obligations	15	10.705	2.584
Income tax payable		408	17.701
Dividend payable		20	13
		270.853	**778.884**
TOTAL EQUITY AND LIABILITIES		**3.494.479**	**4.698.717**

Authorized on behalf of the Board of Directors

Nikolopoulos Antonios	Olivera Vasilkovska
Chief Executive Officer	*Finance Manager*

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 31 December 2009

	Notes	2009 MKD'000	2008 MKD'000
Cash flows from operating activities			
Profit before income taxes		**1.652.271**	**1.429.672**
Adjustments for:			
(Gain) on disposal of property, plant and equipment		(8.725)	(14.207)
Depreciation of PPE and investment properties		275.589	256.243
Actuarial gains / losses, net		20.254	(5.957)
Fly ash written off		19.150	18.719
Interest income		(14.864)	(36.766)
Interest expense and bank charges		23.130	9.968
Other provision		-	10.977
Operating profit before working capital changes		**1.966.805**	**1.668.649**
Decrease / (Increase) in trade and other receivables		172.977	(152.760)
Decrease / (Increase) in inventories		522.224	(210.489)
(Decrease) / Increase in trade and other payables		(484.516)	460.815
Cash generated from operations		**2.177.490**	**1.766.215**
Interest expense and bank charges paid		(23.130)	(9.968)
Income tax paid		(79.795)	(214.163)
Net cash flows generated from operations		**2.074.565**	**1.542.084**
Cash flows from investing activities			
Purchase of property, plant and equipment		(158.439)	(528.185)
Expenditures for exploration and evaluation assets		(16.010)	-
Proceeds from sale of property, plant and equipment		10.385	46.209
Interest income received		14.864	36.766
Net cash flows generated (used in) investing activities		**(149.200)**	**(445.210)**
Cash flows from financing activities			
Dividends paid to group shareholders		(2.142.720)	(1.446.240)
Dividends paid to minority shareholders		(116.682)	(78.776)
Proceeds of short - term borrowings		485.000	-
Repayments of short - term borrowings		(485.000)	-
Investment in subsidiary		(156)	(122.489)
Net cash flows (used) in financing activities		**(2.259.558)**	**(1.647.505)**
Net increase in cash and cash equivalents		**(334.193)**	**(550.631)**
Cash and cash equivalents at 1 January		466.287	1.016.918
Cash and cash equivalents at 31 December	11	**132.094**	**466.287**

The accompanying notes form an integral part of these financial statement

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

	Share capital MKD'000	*Additional paid in capital MKD'000*	*Retained earnings MKD'000*	*Legal reserves MKD'000*	*Reva-luaton reserves MKD'000*	*Total MKD'000*
At 1 January 2008	**1.747.730**	**(14.869)**	**1.784.949**	**363.337**	**207.829**	**4.088.976**
Dividends declared	-	-	(1.525.000)	-	-	(1.525.000)
Net profit for the year	-	-	1.289.163	-	-	1.289.163
At 31 December 2008	**1.747.730**	**(14.869)**	**1.549.112**	**363.337**	**207.829**	**3.853.139**

For the year ended 31 December 2009

	Share capital MKD'000	*Additional paid in capital MKD'000*	*Retained earnings MKD'000*	*Legal reserves MKD'000*	*Reva-luaton reserves MKD'000*	*Total MKD'000*
At 1 January 2009	**1.747.730**	**(14.869)**	**1.549.112**	**363.337**	**207.829**	**3.853.139**
Net profit for the year	-	-	1.536.719	-	-	1.536.719
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	1.536.719	-	-	1.536.719
Dividends declared	-	-	(1.466.402)	-	-	(1.466.402)
Advance dividend paid	-	-	(793.000)	-	-	(793.000)
At 31 December 2009	**1.747.730**	**(14.869)**	**826.429**	**363.337**	**207.829**	**3.130.456**

1. Corporate information

Cementarnica “Usje” A.D. - Skopje (“the Company”) is incorporated in the Republic of Macedonia with the registered address at Prvomajska bb, Skopje.

The Company’s main activity is production and trade with cement, masonry cement, ready mix concrete, clinker and other related products.

The Company is controlled by Titan Cement Netherlands B.V. registered in Netherlands, which has 94,84% shareholding in the Company. The Company’s ultimate parent is Titan Cement Company S.A. - Greece.

The number of employees as of 31 December 2009 was 349.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are in accordance with Titan Group accounting and reporting requirements and are set out below, except for the investment properties which are carried at cost opposed to the fair value model as required by the Group. Titan Group is preparing its financial statements according to the International Financial Reporting Standards.

a. Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings. The presentation currency is Denar (MKD) being also the functional currency and all values are rounded to the nearest thousand (000 MKD) except when otherwise stated.

The financial statements have been prepared in accordance to the Group accounting policies which are based on the International Financial Reporting Standards.

The purpose of the financial statements is to be used in connection and preparation of consolidated financial statements of Titan Cement Company S.A.

The Company has three subsidiaries: Cement Plus for building materials DOO - Kosovo with 65% holding, RUDMAK DOOEL export-import Skopje with 100% holding and TROJAN CEM EOOD, Bulgaria registered in April 2009 as new Company for trade and services with 100% holding, for amount of EUR 2,5 thousand. The Company does not prepare consolidated financial statements as the consolidation will be followed by the Titan Group. These subsidiaries are accounted for these financial statements at cost less any impairment in value.

Changes in accounting policies and disclosures

New and amended standards adopted by the Company

The Company has adopted the following new and amended IFRS s as of 1 January 2009:

- IFRS 7 ‘Financial instruments – Disclosures’ (amendment) - effective 1 January 2009. The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value should be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level three fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The liquidity risk disclosures as presented in Note 19 are not significantly impacted by the amendments.

2. Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

- IAS 1 (revised). 'Presentation of financial statements' - effective 1 January 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present in a single statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. The financial statements have been prepared under the revised disclosure requirements.

Interpretations effective in 2009 but not relevant

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant for the Company.

- IFRS 2 Share-based Payment: Vesting Conditions and Cancellatios
- IFRS 8 Operating Segments
- IAS 23 Borrowing costs (Revised)
- IAS 32 Financial instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation
- IFRIC 13 Customer loyalty programmes
- IFRIC 16 Hedges of a net investment in a foreign operation'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards and amendments to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2010 or later periods, but the Company has not early adopted them:

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. It is not expected to have a material impact on the Company's financial statements. This is not currently applicable to the Company, as it has not made any non-cash distributions.

- IFRIC 18, 'Transfers of assets from customers' (effective for transfers of assets received on or after 1 July 2009). This is not relevant to the Company, as it has not received any assets from customers.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re measured to fair value, and a gain or loss is recognized in profit or loss. The Company will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

2. Summary of significant accounting policies (continued)

a. Basis of preparation (continued)

- IFRS 3 (revised), ‘Business combinations’ (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree at fair vale or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- IAS 38 (amendment), ‘Intangible Assets’. The amendment is part of the IASB’s annual improvements project published in April 2009 and the group and company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the Company’s financial statements.

- IFRS 5 (amendment), ‘Measurement of non-current assets (or disposal groups) classified as held-for-sale’. The amendment is part of the IASB’s annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Company’s financial statements.

- IAS 1 (amendment), ‘Presentation of financial statements’. The amendment is part of the IASB’s annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Company’s financial statements.

- IFRS 2 (amendments), ‘Company cash-settled and share-based payment transactions’. In addition to incorporating IFRIC 8, ‘Scope of IFRS 2’, and IFRIC 11, ‘IFRS 2 – Company and treasury share transactions’, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Company’s financial statements.

- IAS 39 ‘Financial Instruments: Recognition and Measurement – Eligible Hedged Items’. The amendment clarifies that an entity is permited to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. It is not expected to have a material impact on the Company’s financial statements.

2. Summary of significant accounting policies (continued)

b. Investments in subsidiaries

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

c. Foreign currency translation

Transactions denominated in foreign currencies are recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange rulling at the reporting date. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded in the period, are recognised as income or expense for the period in which they arise.

d. Property, plant and equipment

Property, plant and equipment are stated as follows:

- those assets acquired up to 31 December 1998, the revaluation under the previous GAAP at the date of transition of the Group to IFRS (1 January 2004) was accepted as deemed cost since the revaluation was broadly comparable to depreciated cost under IFRS adjusted to reflect changes in general price index.

- those assets acquired after 31 December 1998 are stated at historical cost less accumulated depreciation and any subsequent accumulated impairment loss.

Additions are recorded at cost. Cost represents the prices by suppliers together with all costs incurred in bringing new property, plant and equipment into use.

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

Depreciation of property, plant and equipment, with exception of quarries, is designed to write off the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives. The principal depreciation rates in use are:

Buildings	2.5 -10%
Equipment	5 - 25%

Land is stated in the balance sheet at cost less impairment and is not depreciated as it is deemed to have an infinite life, except quarries which are depreciated on a depletion basis. This depletion is recorded as the material extraction process advances based on the unit of - production method.

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

2. Summary of significant accounting policies (continued)

e. Investment property

Investment property, comprising of land, production premises with business offices and construction object - restaurant and cafeteria room, is held for long-term rental yields and is not occupied by the Company. Investment property is measured under cost model which means that it is carried at cost, less accumulated depreciation and impairment loss, if any, in accordance with IAS 16 requirements in respect of property, plant and equipment and IAS 36 regarding impairment.

f. Exploration and evaluation assets

Exploration and evaluation expenditure for each area of interest (geographically specific to the concession, permit or mining license granted) is carried forward as an asset if a decision has been made that a mining operation is economically feasible and can be developed for commercial production. At the end of the reporting period, these costs include costs of acquisition of rights to explore. All other exploration and evaluation expenditures are charged to the income statement as incurred.

Administrative and general expenses relating to exploration and evaluation activities are expensed as incurred.

g. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, excluding distribution costs and administrative expenses. 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.

Tools and consumable stores are written-off 100% when consumed.

h. Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the profit or loss.

i. Cash and cash equivalents

Cash and cash equivalents include cash in hand, the giro account and deposits held at call with banks with original maturities of up to three months or less.

j. Share capital

Ordinary shares are classified as equity.

2. Summary of significant accounting policies (continued)

k. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

l. Borrowings

Borrowings are recognized initially at fair value of consideration received net off transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the reporting date.

m. Taxation

Current income tax

The income tax expense for 2009 comprises the current income tax on: non-deductible expenses, taxes on distributed dividend and provision for un-audited tax returns. The tax rate for both 2008 and 2009 is 10%.

The calculation and payment of the current income tax is in accordance with the changes introduced with the new Income Tax Law effective from 1 January 2009 (published in the Official Gazette 159/08). As a result, in 2009, the taxation regime has been modified and taxes are calculated and payable on non deductable items and any dividend distribution.

Taxes on non deducible items

Instead of the model for taxation whose tax base was the accounting profit adjusted for certain positions in accordance with the tax legislation (applicable for 2008), a new model is introduced in 2009 which base for taxation are the specified non-deductible expenses, adjusted for tax credits and tax exemptions. The payment of the monthly tax is in advance only on the unrecognised expenses.

Taxes on dividend distribution

The amount which is distributed as dividends and other types of profit distributions, in monetary or non-monetary form, is taxed at the moment of payment. Since the Company distributed advance dividend for 2009, such taxes on the payment are included under current income taxes.

For further details please refer to Note 2t and 4.

2. Summary of significant accounting policies (continued)

m. Taxation (continued)

Deferred income tax

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

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized 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 transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in join ventures, deferred tax assets are recognized only to the extent that 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 utilized.

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

Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the statement of financial position.

2. Summary of significant accounting policies (continued)

n. Employee benefits

Pension obligations

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances travel expenses and holiday allowances are also calculated according to the local legislation. The Company makes these contributions to the Government's health and retirement funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Company does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions.

Termination and retirement benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Pursuant to the Company's signed collective bargaining agreements the Company is obligated to pay retirement benefits in an amount equal to six average republic salaries and between one and three average republic salaries to be paid out as a jubilee anniversary award. The number of average republic salaries for jubilee anniversary awards corresponds to the total number of years of service of the employee as presented in the table bellow:

Total number of Service Years	Number of Wages
10	1
20	3
30	3
35 (women)	3
40 (men)	3

Long-term liabilities arising on severance pay and jubilee employment anniversary awards are stated at the amount of the six average salaries to be paid adjusted by the ratio reflecting the relation between years of experience of the employee and total service years. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the discount rate of the Central Bank of Republic of Macedonia due to the absence of the market of high quality corporate bond or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Staring from 2009, included in the actuarial calculation of the defined benefits are allowances for scholarships of Company employees attending secondary school or graduate studies. Assumption is made that for the children who are still not eligible for scholarship under the scheme that 40% will continue with their graduate studies.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income or expense in the period in which they arise.

2. Summary of significant accounting policies (continued)

o. Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The provisions comprise of provision for retirement benefits, provision for rehabilitation of quarries and provision for un-audited tax returns. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

p. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific criteria must also be met before revenue is recognized:

Sales of goods

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Rendering of services

Fees from services provided are recognized over the period in which the services are rendered and accepted by the buyer.

Interest income

The interest relates to time deposit are accounted for at the expired date of time deposit.

Rental income

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

q. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2. Summary of significant accounting policies (continued)

r. Dividends distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

s. Subsequent events

Events after the reporting date, which provide evidence of conditions that exist as of the reporting date, are treated as adjustable events in these financial statements. Those that are indicative of conditions that arose after the reporting date have been treated as non-adjustable events.

t. Financial risk management

Accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions for environmental restoration

Companies that operate quarries and processing sites are required to restore these quarries and processing sites at the end of their producing lives to a condition that is in line with the prevailing environmental legislation of the country in which the Company operates (to restore the land within 3 years after the closure of the mine site), to the level acceptable to the relevant authorities and to the level that is consistent with the Company's environmental policies and practices.

The provision for environmental restoration reflects the present value of the expected future restoration costs that are expected to be incurred for the areas that have been disturbed at the reporting date. The provision is determined as present value of expected future cash outflows to be incurred for sites rehabilitation. This includes determination of the amount based on rehabilitation project, discount rate and expected inflation rates. The provision is re-measured at every reporting date and is adjusted to reflect the present value of the future expenses required to fulfil the obligation.

The present value of estimated restoration costs (that is, original estimation as well as changes in the accounting estimates) are charged to the income statement unless they relate to property, plant and equipment that is on the site, in which case the costs are included within property, plant and equipment and depreciated over the useful life of the related item of property, plant and equipment. Any change in the net present value of the environmental provision due to the passing of time is included in finance costs in the income statement. Additional information is disclosed in note 3 i).

Income tax estimation

The Company recognises liabilities for anticipated tax audits 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 as other taxes (reservation for un-audited tax years), such differences will impact the current income tax assets and liabilities in the period in which such determination is made. Were the actual final outcome (on the judgement areas) to differ by 10% from management's estimates, the Company would need to: increase the income tax liability if unfavourable; or to decrease the income tax liability if favourable. Additional information is disclosed in note 4.

2. Summary of significant accounting policies (continued)

t. Financial risk management (continued)

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the discount rate of the Central Bank of Republic of Macedonia due to the absence of the market of high quality corporate bond or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions (see Note 15).

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

3. Revenue and expenses

a) Sales

	2009 *MKD'000*	*2008* *MKD'000*
Gross sales		
Domestic market	2.895.101	3.194.712
Foreign market	1.506.171	1.430.376
	4.401.272	**4.625.088**
Domestic market		
Income from cement	2.653.638	2.846.591
Income from usjepor	16.703	54.293
Income from RMC	132.637	177.043
Income from white cement	36.294	36.693
Income from use of own products	69.252	92.562
Discount	(13.423)	(12.470)
	2.895.101	**3.194.712**
Foreign market		
Income from clinker	13.156	309.210
Income from cement	1.477.925	1.099.457
Income from usjepor and sand	587	2.668
Income from white cement	14.503	19.041
	1.506.171	**1.430.376**

3. Revenue and expenses (continued)

b) Other revenues

	2009 MKD'000	*2008 MKD'000*
Pet coke	198.950	207.521
Transport of clinker	-	146.189
Services	21.439	37.602
Limestone	9.203	11.146
Third part freight	7.074	19.732
Sand	1.444	1.252
Additives	134	310
Income from use of own products	9.143	3.982
	247.387	**427.734**

c) Cost of sales

	2009 MKD'000	*2008 MKD'000*
Kiln fuel	367.078	880.150
Salaries & other benefits	301.058	360.659
Electricity	264.937	493.602
Raw materials	217.051	251.500
Packing expenses	174.551	197.686
Own products	78.395	96.544
Deed contracts	70.439	69.746
Consumables	66.914	99.694
Spare parts	63.274	87.415
Other services	54.636	74.906
Transportation services	18.288	183.643
Insurance premium	6.823	7.640
Cost of goods traded	203.467	276.614
Change of inventories	330.918	(136.845)
Other expenses	87.043	151.951
	2.304.872	**3.094.905**

3. Revenue and expenses (continued)

d) Other operating income

	2009 *MKD'000*	*2008* *MKD'000*
Reversal of unused provision for retirement benefits	16.201	-
Gain from disposed fixed assets and investment property	8.725	14.207
Revenues from sold materials	7.655	-
Rent income	4.648	635
Canteen	1.841	3.508
Revenues from sold fixed assets	1.596	-
Income from sold trade mark and other services	1.263	-
Technical fee	1.223	614
Scrap	1.174	5.095
Surplus of products	189	5.556
Income from sold business premises	-	31.845
Income from re-exported equipment	-	22.018
Actuarial gains/losses net	-	5.957
Other revenues from previous years	-	1.061
Collected damages from insurance companies	-	466
Others	1.072	457
	45.587	**91.419**

The reversal of unused provision for retirement benefits of MKD 16.201 thousand relates to the provision previously recognised for 101 employees who applied for the voluntary scheme proposed by the Company as part of the Company's activities for reduction of the number of employees and 41 employees to whom had been served termination notices (see Note 3e).

Gain from sale of fixed assets in amount of MKD 8.725 thousand consist of sold equipment in amount of MKD 8.145 thousand, motor vehicle in amount of MKD 559 thousand and fiscal printers in amount of MKD 20 thousand, all to third parties.

Revenues from sold materials in amount of MKD 7.655 thousand consist of sold raw materials (EPS and refractory).

Rent income in amount of MKD 4.648 thousand consist of rented RMC pump and silo trucks in amount of 3.952 thousand, land in amount of MKD 677 thousand, and office space in amount of MKD 19 thousand all to third parties.

e) Other operating expenses

	2009 *MKD'000*	*2008* *MKD'000*
Staff leaving indemnities (including VELP)	139.988	13.261
Actuarial losses and provision for scholarships	36.456	-
Penalties for unpaid taxes	32.911	-
Shortage of goods in warehouse	9.044	3.536
Cost of sold materials	7.405	-
Extraordinary losses	2.367	351
Net book value of disposed fixed assets	1.660	31.913
Cost of re-exported equipment	-	22.018
Business premises costs	323	576
Withholding tax	9	321
Other	1.382	3.176
	231.545	**75.152**

3. Revenue and expenses (continued)

e) Other operating expenses (continued)

Staff's leaving indemnities (including VELP) in amount of MKD 139.988 thousand are related to the redundancy cost for 101 employees who applied for the voluntary scheme proposed by the Company as part of the Company's activities for reduction of the number of employees and 41 employees had been served termination notices.

The amount of MKD 13.982 thousand represents actuarial losses which arise from experience adjustments and changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit method and the amount of MKD 22.474 thousand as additional provision for scholarship for students and pupils of the employees (see Note 15).

Penalties for unpaid taxes in amount of MKD 32.911 thousand are related with VAT on fly ash B in amount of MKD 12.066 thousand and corporate income tax in amount of MKD 20.845 thousand (see Note 17).

f) Selling and marketing expenses

	2009 *MKD'000*	*2008* *MKD'000*
Gross salaries and wages	24.144	25.655
Storage space fee and transport for returned cement	13.486	-
Electricity, telephones, post expenses etc	3.068	4.294
Car expenses	2.923	653
Other taxes	2.365	2.671
Research costs	1.835	92
IT consultancy fees and related expenses	721	697
Travelling	349	1.391
Insurance	201	271
Donations	-	68
Legal fees	2	-
Other expenses	1.777	3.106
	50.871	**38.898**

g) Administrative expenses

	2009 *MKD'000*	*2008* *MKD'000*
Technical fee	59.008	140.952
Gross salaries and wages	45.029	63.009
Promotion and advertisement	6.320	6.287
Electricity, telephones, post expenses etc	4.692	7.425
Legal fees	4.401	1.887
Donations	3.840	2.649
Travelling	2.783	4.188
Audit fees	2.518	2.282
Car expenses	2.375	1.820
Other utilities	1.848	3.037
IT consultancy fees and related expenses	1.216	1.496
Insurance	486	1.006
Other expenses	14.928	19.914
	149.444	**255.952**

3. Revenue and expenses (continued)

e) Administrative expenses (continued)

Technical fee in amount of MKD 59.008 thousand consist of 34.021 thousand denars related to invoiced fees for the period January – April calculated as 3% of total sales of cement products for technological assistance provided by the Group in accordance with the contract concluded with Balkcem Limited dated 28 June 1999 as subsequent amended and an accrual for the period October – December in amount of MKD 24.987 thousand made based on the new contract concluded on 01 October 2009. No technical fee has been charged by the Group for the period from the May (month of suspension of the old contract) till September 2009.

h) Finance income, net

	2009 *MKD'000*	*2008* *MKD'000*
Interest income	14.864	36.766
Bank charges	(3.628)	(4.248)
Interest expense	(19.502)	(2.479)
Net foreign exchange (losses)	(2.238)	(1.498)
Leases	-	(3.241)
	(10.504)	**25.300**

The interest expense in amount of 19.496 thousand denars relates to the two bank loans obtained by the Company during 2009. The first one is a short-term loan from Komercijalna Banka A.D. Skopje in amount of MKD 185.000 thousand with maturity of six months and interest rate of 9% p.a., and revolving loan from NLB Tutunska Banka in amount of MKD 300.000 thousand with maturity period of six months and interest rate of 8% p.a. As of 25 September 2009, the Company fully repaid these loans.

i) Provision for rehabilitation of quarries

According to the concession agreement the Company has a liability to restore the land on which it has undertaken mining activities. For this purpose the Company in 2007 for the first time has recognised a provision for rehabilitation of quarries. The provision is re measured at every reporting date and is adjusted to reflect the present value of the future expenses required to fulfil the obligation. No changes in the value of provision was identified in 2009 or reversal charges.

4. Income tax expense

The income tax expense comprises of:

	2009 *MKD'000*	*2008* *MKD'000*
Tax on nondeductable expenses	12.319	147.437
Tax on dividend distribution	88.111	
Provision on unaudited tax years	15.122	-
Deferred income tax	-	(6.928)
	115.552	**140.509**

For 2008, a reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to Company's effective income tax rate for the year ended 31 December 2008 is as follows:

	2008 *MKD'000*
Profit before income tax	1.429.672
At statutory income tax rate of 10%	142.967
Tax on income not taxable for tax purposes	(426)
Tax on expenses not deductible for tax purposes	5.942
Tax relief on paid jubilee awards and retirements provided for in previous tax period	(1.046)
Tax relating to origination and reversal of temporary differences	(6.928)
	140.509

For 2009, as explained in the Note 2m, the income tax calculation is as follows:

	2009 *MKD'000*
Tax on non-deductible expenses	13.982
Tax relief on paid jubilee awards and retirement allowances provided for in previous tax period	(1.663)
	12.319

On 18 November 2009, the Board of Directors brought a Decision for distribution of pre dividend for the period January - September 2009 in accordance with the Company Law based on the profit with the nine months of 2009 reviewed by the auditors. The pre dividend declared was in amount of MKD 881.111 thousand and taxed with tax on dividend sistribution of 10% i.e. amount of MKD 88.111 thousand.

Other taxes in amount of MKD 15.122 thousand relate to the provision for probable outcome of tax audits on unaudited tax returns for the fiscal year 2009.

5. Property, plant and equipment

	Land and Buildings MKD'000	*Equipment MKD'000*	*Construction in progress MKD'000*	*Total MKD'000*
Cost				
At 1 January 2009	**2.953.072**	**4.391.799**	**184.164**	**7.529.035**
Additions	309	46.769	111.361	158.439
Transfers from CIP	18.477	148.206	(166.683)	-
Transfer to investment property	(79.744)	-	-	(79.744)
Disposals	-	(159.962)	-	(159.962)
At 31 December 2009	**2.892.114**	**4.426.812**	**128.842**	**7.447.768**
Depreciation				
At 1 January 2008	**1.955.110**	**3.088.482**	**-**	**5.043.592**
Charge for the year	39.538	236.051	-	275.589
Transfer to investment property	(49.232)	-	-	(49.232)
Disposals	-	(158.302)	-	(158.302)
At 31 December 2009	**1.945.416**	**3.166.231**	**-**	**5.111.647**
Net book value at 31 December 2009	**946.698**	**1.260.581**	**128.842**	**2.336.121**
Net book value at 1 January 2009	**997.962**	**1.303.317**	**184.164**	**2.485.443**

6. Investment property

	2009 MKD'000	*2008 MKD'000*
Opening balance at 1 January	5.284	5.871
Additions	79.744	-
Disposals	-	(402)
Less: Accumulated depreciation	(49.232)	(185)
Closing balance at period/year end	**35.796**	**5.284**

Investment property principally comprise of land, production premises with business offices and construction object - restaurant and a cafeteria room and is held for long-term rental yields and is not occupied by the Company. In July 2009 the Company concluded an agreement with “USJEPOR” Dooel Skopje for renting production premises with business offices; agreement with Cemeks Dooel Skopje for renting production premises with business offices and agreement with TITCEM Dooel Skopje for renting a construction object - restaurant and a cafeteria room.

7. Investments in subsidiaries

	2009 MKD'000	*2008 MKD'000*
Cement Plus LLC for buildings materials – Kosovo 65%	104.245	104.245
Rudmak Dooel export-import Skopje 100%	53.520	53.520
Trojan Cem EOOD Bulgaria 100%	156	-
	157.921	**157.765**

In April 2009, the Company registered a new fully owned subsidiary in Bulgaria for trade and services TROJAN CEM EOOD for amount of EUR 2,5 thousand.

8. Deferred tax assets

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Company has recognized only deferred income tax assets. The amounts are as follows:

Deferred tax assets:

	2009 and 2008 MKD'000
Deferred tax assets to be recovered after more than 12 months	6.670
Deferred tax assets to be recovered within 12 months	258
	6.928

The movement in deferred income tax assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	*Provision for retirement benefits*	*Rehabilitation provision*
At 31 December 2008	**(5.239)**	**(1.689)**
(Credited)/charged to the income Statement	-	-
At 31 December 2009	**(5.239)**	**(1.689)**

9. Inventories

	2009 MKD’000	2008 MKD’000
Spare parts and supplies	265.883	284.199
Consumable stores	179.984	224.347
Finished goods	79.501	90.911
Semi-finished goods	68.020	387.528
Raw materials	74.621	203.862
Packing materials	19.083	30.729
Goods for resale	398	1.939
Prepayments for inventory purchase	6.036	11.385
	693.526	**1.234.900**

10. Trade and other receivables

	2009 MKD’000	2008 MKD’000
Trade debtors domestic	40.326	56.950
Trade debtors foreign	38.012	88.470
Advances to suppliers	4.509	5.593
Prepayments	390	69.845
Other current assets	22.440	57.796
	105.677	**278.654**

Included in other current assets are restricted time deposits held with Stopanska Bank of MKD 5.015 thousand related to the issued guarantees for custom duties.

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

As at 31 December, the aging analysis of trade receivables is as follows:

		Neither past due nor	Past due but not impaired				
	Total	impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2009	78.338	67.590	10.369	379	-	-	-
2008	145.420	142.473	2.947	-	-	-	-

11. Cash and cash receivables

	2009 MKD’000	2008 MKD’000
Bank deposits	121.426	456.721
Cash at bank	10.629	9.536
Cash at hand	39	30
	132.094	**466.287**

12. Share capital

Authorized, issued and fully paid	*Number of shares*	*% holding*
Titan Cement Netherlands B.V. - ordinary shares of MKD 3.100 each	534.667	94.84%
Other shareholders - ordinary shares of MKD 3.100 each	29.117	5.16%
	563.784	**100%**

	Amount MKD'000
Share capital as registered	1.747.730
Less: Additional paid in capital	(14.869)
At 31 December 2009 and 31 December 2008	**1.732.861**

Dividends paid and proposed

	MKD'000
Declared and paid during the period ended 31 December 2008	
Final dividend for 2007:	
MKD 540,98 and 2.163,95 per share	
Declared:	1.525.000
Paid:	1.525.016
Declared and paid during the period ended 31 December 2009	
Final dividend for 2008:	
MKD 2.601,00 per share	
Declared:	1.466.402
Paid:	1.466.400
Declared and paid during the period ended 31 December 2009	
Advanced dividend for 2009:	
MKD 1.406,57 per share	
Declared:	793.000
Paid:	793.000

Dividends declared and paid for the year ended 31 December 2008 and year ended 31 December 2009 entirely relate to cash dividends on ordinary shares. For pre dividend see Note 4.

13. Revaluation reserves

Assets revaluation reserve

The asset revaluation reserves have resulted from the revaluation of property, plant and equipment in accordance with local regulations up to 31 December 1998 as it is also explained in paragraph 2d above. These reserves are not available for distribution of dividends and can be used for covering future losses and/or converted into share capital.

14. Legal reserves

Legal reserves are regulated by local Company Law, according to which companies are required to allocate to this reserve at least 15% of their annual net profit until the balance of the reserve reaches 20% of the company's share capital. The legal reserve may be used only for covering losses if the balance does not exceed 20% of the Company's share capital. The excess over 20% of the share capital may be used for dividend distribution, following a decision by the Assembly of the shareholders.

15. Provision for retirement benefits

	2009 MKD'000	*2008 MKD'000*
Defined retirement benefit obligations	24.220	30.180
Defined jubilee anniversary award obligations	25.165	22.204
Defined scholarship obligations	22.474	-
	71.859	**52.384**
Analyzed as:		
Non-current portion	61.154	49.800
Current portion	10.705	2.584
	71.859	**52.384**

The movement in the defined benefit obligation over the year is as follows:

	2009 MKD'000	*2008 MKD'000*
At 1 January	52.384	62.848
Current service costs	24.517	2.139
Interest cost	2.761	3.045
Recognised actuarial gains/(losses), net	9.177	(11.141)
	88.839	56.891
Benefits paid during the year	(779)	(4.507)
Unused provision reversed	(16.201)	-
At 31 December	**71.859**	**52.384**

The amounts recognised in the income statement are as follows:

	2009 MKD'000	*2008 MKD'000*
Current service costs	24.517	2.139
Interest cost	2.761	3.045
Recognised actuarial gains/losses	9.177	(11.141)
	36.455	(5.957)

The principal actuarial assumptions used in 2009 by the independent actuaries were as follows:

a) Live probability and mortality by age and sex are determined according to the Mortality Table for the population of Republic of Macedonia for the period 1980-1982;
b) Turnover rate of employees is insignificant and it is not taken into consideration because percentage of leaving the company is almost none, except for 2009, when the Company during the year decided to carry out program for decreasing the employees, and
c) Employee's retirement in the future will be according to the current legislative (64 for male and 62 for female).
d) In 2009, the actuarial calculation also included the scholarships for the children of the Company's employees who attend graduate and post graduated studies as well as the children on deceased employees attending secondary school or graduate studies. In addition, assumption is also made for the children who are still not eligible for scholarship under the assumption that 40% will continue with their graduate studies.

15. Provision for retirement benefits (continued)

The used financial assumptions were as follows:

Nominal annual increase of the average republic net salary: 6%;
Discount rate: 6,5%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in the country.

16. Trade and other payables

	2009 *MKD'000*	*2008* *MKD'000*
Domestic trade creditors	140.631	218.960
Foreign trade creditors	44.845	394.653
Tangible assets creditors	7.628	65.626
Customer prepayments	34.272	32.202
Other current liabilities	32.344	47.145
	259.720	**758.586**

17. Contingences and Commitments

Contingent liabilities

	2009 *MKD'000*	*2008* *MKD'000*
Bank guarantees	5.015	55.792
	5.015	**55.792**

As of 31 December 2009 the Company has obtained a Bank payment guaranties from Stopanska Banka in favour of Customs of MKD 5.015 thousand valid till 19 January 2010.

Legal claims
There is a pending lawsuit regarding the claim from 41 employees of the Company concerning cancellation of Decision for revoking the labor relations by business purposes and bringing them back on work. The final outcome is still unknown.

17. Contingences and Commitments (continued)

Tax audits

In the second quarter of 2009, the Company was subject to tax audit by the Tax Authorities regarding the personal income tax; value added tax and corporate income tax for the period from 1 January 2006 till 31 December 2008. During the control of the accuracy and regularity of calculation and payment of taxes, tax authorities concluded the following:

- the personal income tax on salaries and other income was properly calculated and paid for the salaries and other personnel compensations of the employees paid and other realized incomes paid to people not employed by the Company during the period subject to tax audit;
- the VAT , the tax control concluded that the Company has made proper and accurate calculation of the tax base and correct application of the tax rates which has influence on regularity and accuracy of the input and output VAT per years except for input VAT for the services related to supply of fly ash performed toward USJE on the base of agreement with AD Power plants of Macedonia - Skopje, Branch office REK Bitola. On the ground of previously stated with the external audit is determined that the tax payer, in all 18 cases stated in the review, had make offsetting of prior tax although the requirements of Articles 33 and 34 paragraph 1 of the VAT Law are not meet according to the find of the Audit in the cases stated in the review do exist neither supply nor received services and only made the invoice payment.
- For the corporate income tax based on the inspection of the Tax Balances for 2006, 2007 and 2008 and the data from the accounting evidence from the general ledger the tax audit conclusion is that the Company presented less tax on expenses not deductible for tax; disposed of fly ash B which according to the tax authorities are not used for the purpose of the economic activity of the Company; compensation for the unemployed managers based on the same interpretation, not for the purpose of the economic activity of the Company; food and travel allowances above the limits regulated by the Law; withholding tax for the payments of services provided by the Companies from Kosovo; and voluntary early living compensations to the employees made during the years subject to audit.

The Company aggrieved by the findings of the tax minutes for VAT and corporate income tax responded on 28 July and 11 September 2009, regarding certain facts of the operations which the Company considered to be misinterpreted and incorrect due to lack of in depth analysis of actual situation which resulted in misapplication of the applicable laws and regulations.

By the end of the reporting period, the Company received reply on the “Expression of Company overview”. The tax authorities issued Decision for payment of penalties for unpaid taxes. The Company has paid the penalties in amount of MKD 32.911 thousand and netted the tax liabilities with the income tax receivable for 2009. In addition, The Company submitted second appeal addressed to the Minister of the Finance. The final outcome and effect is still unknown. Furthermore, due to these uncertainties, the Company has provided for additional taxes that would be arising from the above mentioned unrecognized expenses for 2009 in total of MKD 15.122 thousand.

17. Contingences and Commitments (continued)

Commitments

Lease commitments - company as lessee

The Company leases motor vehicles under lease agreements. The leases have varying terms and clauses.

	2009 *MKD'000*	*2008* *MKD'000*
Up to 1 year	5.012	4.333
Later than 1 year and not later than 5 years	7.126	12.150
	12.138	**16.483**

18. Related party transactions

Titan Cement Netherlands B.V. owns 94.84% of the Company's share capital.

The following transactions were carried out with the related parties:

a) Sales of goods and services

	2009 *MKD'000*	*2008* *MKD'000*
Cement Plus Ltd - cement, usjepor and white cement	1.334.688	384.399
Antea Cement SHA - grey cement	131.024	128.606
Cement Plus Ltd - technical fee	1.224	614
Titan Kosjeric - clinker	-	43.952
Titan Zlatna Panega - clinker	-	338.935
Cement Plus Ltd - re-exported equipment	-	22.018
	1.466.936	**918.524**

Outstanding balances arising from the transactions mentioned above are presented below:

Receivables from related parties

	2009 *MKD'000*	*2008* *MKD'000*
Antea Cement SHA - grey cement	2.716	8.136
Cement Plus Ltd - technical fee	1.224	614
Titan Zlatna Panega - clinker	-	9.203
Titan Kosjeric - clinker	-	3.525
Cement Plus Ltd - cement, usjepor and white cement	-	17.234
	3.940	**38.712**

18. Related party transactions (continued)

b) Purchases of goods and services

	2009 *MKD'000*	*2008* *MKD'000*
Titan Cement Company - white cement and pet coke	335.861	989.060
Balkcem Limited - technical fee	59.008	140.952
Titan Cement Company - purchased clinker	20.610	-
Titan Cement Company - re-exported equipment	-	22.018
Titan Zlatna Panega – purchased clinker	3.247	-
Titan Zlatna Panega - grey cement	2.932	9.904
Cement Plus Ltd. - services	1.884	-
ADO Cem - services	1.835	-
Titan Kosjeric -purchased clinker	958	-
Titan Cement Company - spare parts and fixed assets	357	2.635
Titan Kosjeric - spare parts and supplies	257	-
Titan Zlatna Panega - raw materials	135	-
Titan Cement Company - raw materials	134	-
Titan Cement Netherlands B.V. - interest expense and bank charge	-	2.479
Titan Cement Company - geo humus	-	496
Titan Cement Company - services	57	245
Cement Plus Ltd. - interest expense and bank charge	-	107
	427.275	**1.167.896**

Outstanding balances arising from the transactions mentioned above are presented bellow:

Payables to related parties

	2009 *MKD'000*	*2008* *MKD'000*
Balkcem Limited - technical fee	24.987	17.532
Cement Plus Ltd. - prepayments	5.091	-
Titan Zlatna Panega - grey cement	3.584	2.251
Titan Cement Company - white cement and pet coke	3.149	325.561
ADOCIM Cimento Beton A.S.- services	1.835	-
Titan Cement Company - fixed assets	-	55
	38.646	**345.399**

The Company enter into these transactions with the above related parties at mutually agreed terms.

19. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade payables. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

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

a) Interest risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates.

b) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. To manage the foreign exchange risk the Company provides enough cash in foreign currencies held in banks in order to maintain its future commercial transactions.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The table below summarises the maturity profile of the Company's financial liabilities at 31 December 2009 and 31 December 2008 based on contractual undiscounted payments.

Year ended 31 December 2009

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	154.458	-	-	-	154.458
Other payables	-	67.024	-	-	-	67.024
Payables to related parties	-	38.646	-	-	-	38.646

Year ended 31 December 2008

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	333.840	-	-	-	333.840
Other payables	-	97.062	-	-	-	97.062
Payables to related parties	-	345.399	-	-	-	345.399

19. Financial risk management objectives and policies (continued)

d) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any one customer. In addition, to reduce this risk the Company has required as collateral bank guaranties and deposits. Recognisable risks are accounted for by adequate provisions on receivables.

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), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and 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 shareholders' approval. No changes were made in the objectives, policies or processes during the years end 31 December 2009 and 31 December 2008.

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

	2009	*2008*
	MKD'000	*MKD'000*
EBITDA	**1.938.365**	**1.660.615**

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