

**CEMENTARNICA "USJE" AD
SKOPJE**

**FINANCIAL STATEMENTS
FOR GROUP CONSOLIDATION REPORTING
PURPOSES**

For the year ended 31 December 2010

Contents

	Pages
AUDITORS' REPORT	3
STATEMENT OF COMPREHENSIVE INCOME	5
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF CASH FLOWS	7
STATEMENT OF CHANGES IN EQUITY	8
NOTES TO THE FINANCIAL STATEMENTS	9 – 35
SUPPLEMENTARY INFORMATION CONCERNING THE CALCULATION OF EBITDA	36

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 statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information 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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider 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 €1,700,000.

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 2010 and of its financial performance and 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



Ernst & Young Certified Auditors Ltd.
1 February 2011, Skopje

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>MKD'000</i>	<i>2009</i> <i>MKD'000</i>
Sales	3a	3.717.348	4.332.020
Other revenue	3b	429.042	238.244
Cost of sales	3c	<u>(2.066.806)</u>	<u>(2.226.443)</u>
Gross profit		2.079.584	2.343.821
Other operating income	3d	24.719	45.587
Other operating expenses	3e	(46.052)	(231.579)
Selling and marketing expenses	3f	(33.449)	(50.871)
Administrative expenses	3g	(110.741)	(149.444)
Fly-ash disposed off		(21.834)	(19.150)
Depreciation and amortization	5	<u>(286.603)</u>	<u>(275.589)</u>
Operating profit		1.605.624	1.662.775
Net finance income / (expense)	3h	<u>7.991</u>	<u>(10.504)</u>
Profit before tax		1.613.615	1.652.271
Income tax expense	4	(112.949)	(115.552)
Profit for the year		<u>1.500.666</u>	<u>1.536.719</u>
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		<u>1.500.666</u>	<u>1.536.719</u>

The accompanying notes form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

	Notes	2010 MKD'000	2009 MKD'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2.204.137	2.336.121
Investment properties	6	34.404	35.796
Investment in subsidiary		157.921	157.921
Exploration and evaluation assets		13.013	16.010
Deferred tax assets	4	-	6.928
		2.409.475	2.552.776
Current assets			
Inventories	7	650.700	693.526
Trade and other receivables	8	201.226	105.677
Short term loans receivables	9	153.750	-
Income tax receivable		15.220	10.406
Cash and cash equivalents	10	24.713	132.094
		1.045.609	941.703
TOTAL ASSETS		3.455.084	3.494.479
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1.747.730	1.747.730
Additional paid in capital	11	(14.869)	(14.869)
Retained earnings		729.375	826.429
Revaluation reserves		207.829	207.829
Legal reserves		363.337	363.337
		3.033.402	3.130.456
Non-current liabilities			
Provision for retirement benefits	12	62.971	61.154
Provision for rehabilitation of quarries		16.894	16.894
Other non current liabilities		-	15.122
		79.865	93.170
Current liabilities			
Trade and other payables	13	331.186	259.720
Current portion of retirement benefit obligations	12	8.234	10.705
Income tax payable		2.369	408
Dividend payable		28	20
		341.817	270.853
TOTAL EQUITY AND LIABILITIES		3.455.084	3.494.479

Authorized on behalf of the Board of Directors

Boris Hrisafov

Chief Executive Director



Olivera Vasilkovska

Finance Manager

The accompanying notes form an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

	<i>Notes</i>	<i>2010</i> <i>MKD '000</i>	<i>2009</i> <i>MKD '000</i>
Cash flows from operating activities			
Profit before income taxes		1.613.615	1.652.271
<i>Adjustments for:</i>			
(Gain) on disposal of property, plant and equipment		(5.246)	(8.725)
Depreciation of PPE and investment properties		286.603	275.589
Actuarial gains / losses, net		7.687	20.254
Fly ash disposed		21.834	19.150
Interest income		(13.070)	(14.864)
Interest expense and bank charges		3.658	23.130
Write off trade receivables		527	-
NBV of tangible assets written off		2.621	-
Other provision		8.460	-
Operating profit before working capital changes		1.926.689	1.966.805
Decrease / (Increase) in trade and other receivables		(96.076)	172.977
Decrease / (Increase) in inventories		12.302	522.224
(Decrease) / Increase in trade and other payables		47.094	(484.516)
Cash generated from operations		1.890.009	2.177.490
Interest expense and bank charges paid		(3.658)	(23.130)
Income tax paid		(108.874)	(79.795)
Net cash flows generated from operations		1.777.477	2.074.565
Cash flows from investing activities			
Purchase of property, plant and equipment		(147.842)	(158.439)
Expenditures for exploration and evaluation assets		(5.008)	(16.010)
Proceeds from sale of property, plant and equipment		6.383	10.385
Loan to associate		(153.750)	-
Interest income received		13.070	14.864
Net cash flows generated (used in) investing activities		(287.147)	(149.200)
Cash flows from financing activities			
Dividends paid to group shareholders		(1.444.673)	(2.142.720)
Dividends paid to minority shareholders		(78.666)	(116.682)
Tax on dividend		(74.372)	-
Proceeds of short - term borrowings		-	485.000
Repayments of short - term borrowings		-	(485.000)
Investment in subsidiary		-	(156)
Net cash flows (used) in financing activities		(1.597.711)	(2.259.558)
Net increase in cash and cash equivalents		(107.381)	(334.193)
Cash and cash equivalents at 1 January		132.094	466.287
Cash and cash equivalents at 31 December	10	24.713	132.094

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	<i>Share capital MKD'000</i>	<i>Additional paid in capital MKD'000</i>	<i>Retained earnings MKD'000</i>	<i>Legal reserves MKD'000</i>	<i>Reva- luaton reserves MKD'000</i>	<i>Total MKD'000</i>
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

For the year ended 31 December 2010

	<i>Share capital MKD'000</i>	<i>Additional paid in capital MKD'000</i>	<i>Retained earnings MKD'000</i>	<i>Legal reserves MKD'000</i>	<i>Reva- luaton reserves MKD'000</i>	<i>Total MKD'000</i>
At 1 January 2010	1.747.730	(14.869)	826.429	363.337	207.829	3.130.456
Net profit for the year	-	-	1.500.666	-	-	1.500.666
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	1.500.666	-	-	1.500.666
Dividends Declared, net	-	-	(669.348)	-	-	(669.348)
Tax on dividend	-	-	(74.372)	-	-	(74.372)
Advance dividend paid	-	-	(854.000)	-	-	(854.000)
At 31 December 2010	1.747.730	(14.869)	729.375	363.337	207.829	3.033.402

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 2010 was 348.

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. 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 two foreign subsidiaries, Cement Plus for building materials DOO - Kosovo with 65% holding and TROJAN CEM EOOD, Bulgaria with 100% holding, and one domestic subsidiary, RUDMAK DOOEL export-import Skopje with 100% holding. 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 accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions effective 1 January 2010;
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended) effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5 IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39;

2. Summary of significant accounting policies (continued)

New and amended standards adopted by the Company (continued)

- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items effective 1 July 2009;
- IFRIC 17 Distributions of Non-cash Assets to Owners effective 1 July 2009;
- Improvements to IFRSs (May 2008);
- Improvements to IFRSs (April 2009);

The adoption of the standards or interpretations is described below:

- *IFRS 2 Share-based Payment (Revised)*, The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. It did not have an impact on the financial position or performance of the Company.
- *IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)*, IFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. The adoption of this amendment did not have any impact on the financial position or performance of the Company.
- *IAS 27 (Amended)* requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010. The adoption of IAS 27 (Amended) did not have any impact on the financial position or performance of the Company.
- *IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*, the amendment clarifies that an entity is permitted 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. The Company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into any such hedges.
- *IFRIC 17 Distribution of Non-cash Assets to Owners*, 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. The interpretation has no effect on either, the financial position or performance of the Company.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

Issued in April 2009

- *IAS 7 Statement of Cash Flows*: states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will have no impact on the Statement of cash flows of the Company.

2. Summary of significant accounting policies (continued)

New and amended standards adopted by the Company (continued)

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Company:

Issued in May 2008

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Issued in April 2009

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segments:
- IAS 1 Presentation of Financial Statements
- IAS 17 Leases
- IAS 34 Interim Financial Reporting
- IAS 36 Impairment of Assets:
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedge of a Net Investment in a Foreign Operation

Standards issued but not yet effective

Standards issued but not yet effective 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 be applicable at a future date. The Company intends to adopt those standards when they become effective.

- *IFRS 9 Financial instruments Classification and Measurement*, issued in November 2009.
- *IAS 24 (Amendment) 'Related party disclosures*, issued in November 2009.
- *IAS 32 Financial Instruments: Presentation (Amendment) - Classification of rights issues*, issued in October 2009.
- *IFRIC 14 Prepayments of a minimum funding requirement (Amendment)*
- *IFRIC 19 Extinguishing financial liabilities with equity instruments*, effective 1 July 2010.

Improvements to IFRSs (issued in May 2010)

The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

- *IFRS 3 Business Combinations*
- *IFRS 7 Financial Instruments: Disclosures*
- *IAS 1 Presentation of Financial Statements*
- *IAS 27 Consolidated and Separate Financial Statements*
- *IFRIC 13 Customer Loyalty Programmes*

The Company, however, expects no impact from the adoption of the amendments on its financial position or performance.

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 reporting 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 items of assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All 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 Company 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, net of accumulated depreciation and / or accumulated impairment loss, if any.

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 that are retired or otherwise disposed of are eliminated from the statement of financial position, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

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 statement of financial position 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 provisions for depreciation and impairment, 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 profit or loss as incurred.

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

g. Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, and short term loans.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the income statement. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

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 amortized 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 amortization is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, 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 finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. The Company did not have any held-to-maturity investments during the years ended 31 December 2010 and 2009.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. The Company did not have any available-for-sale financial investments during the years ended 31 December 2010 and 2009.

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.

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a 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 in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and 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.

An impairment loss in respect of financial assets measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 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. All 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.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the income statement.

2. Summary of significant accounting policies (continued)

(ii) Financial liabilities (continued)

The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition

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

When 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 the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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.

h. 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.

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.

l. Taxation

Current income tax

The income tax expense comprises the current income tax on: non-deductible items and taxes on dividend distribution. The tax rate for both 2010 and 2009 is 10%.

2. Summary of significant accounting policies (continued)

l. Taxation (continued)

Taxes on non deductible items

The calculation and payment of the current income tax is in accordance with the Income Tax Law which include the model for taxation whose tax base 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.

For further details please refer to Note 4.

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 reporting data.

m. Employee benefits

Pension

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 profit or loss 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.

2. Summary of significant accounting policies (continued)

m. Employee benefits (continued)

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 below:

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.

Employee's children scholarships

Starting 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 profit or loss in the period in which they arise.

n. Provisions

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. The provisions comprise of provision for retirement benefits and provision for rehabilitation of quarries. 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.

2. Summary of significant accounting policies (continued)

o. 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.

p. 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 profit or loss on a straight-line basis over the period of the lease.

q. 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.

r. 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 period have been treated as non-adjustable events.

s. 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.

2. Summary of significant accounting policies (continued)

s. Financial risk management (continued)

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 profit or loss 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 profit or loss.

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 12).

Fair value of financial instruments

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

t. Comparatives

Comparative figures have been reclassified where appropriate, to conform to changes in presentation in the current period. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the financial statements.

3. Revenue and expenses

a) Sales

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
<i>Gross sales</i>		
Domestic market	2.441.851	2.825.849
Foreign market	1.275.497	1.506.171
	<u>3.717.348</u>	<u>4.332.020</u>
<i>Domestic market</i>		
Income from cement	2.271.904	2.653.638
Income from RMC	121.827	132.637
Income from White Cement	50.854	36.294
Income from Usjopor	-	16.703
Discount	(2.734)	(13.423)
	<u>2.441.851</u>	<u>2.825.849</u>
<i>Foreign market</i>		
Income from Cement	1.265.094	1.477.925
Income from White Cement	10.360	14.503
Income from usjopor and sand	43	587
Income from Clinker	-	13.156
	<u>1.275.497</u>	<u>1.506.171</u>

b) Other revenues

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Pet coke	305.932	198.950
Limestone	42.819	9.203
Third part freight	33.410	7.074
Services	26.792	21.439
Transport of cement – intercompany	19.096	-
Sand	605	1.444
Additives	388	134
	<u>429.042</u>	<u>238.244</u>

3. Revenue and expenses (continued)

c) Cost of sales

	2010 MKD'000	2009 MKD'000
Kiln fuel	477.184	367.078
Cost of goods traded	305.428	203.467
Salaries & other benefits	258.009	301.058
Electricity	250.827	264.937
Raw materials	172.029	217.051
Packing expenses	168.276	174.551
Consumables	77.230	83.118
Transportation services	70.563	18.288
Deed contracts	63.474	70.439
Other services	55.218	54.617
Spare parts	35.977	46.559
Change of inventories	8.577	330.918
Insurance premium	6.656	6.823
Other expenses	117.358	87.539
	<u>2.066.806</u>	<u>2.226.443</u>

d) Other operating income

	2010 MKD'000	2009 MKD'000
Gain from disposed fixed assets and investment property	5.246	8.725
Actuarial gains and reversals	5.009	16.201
Revenues from sold materials	4.457	7.655
Rent income	4.401	4.648
Collected damages from insurance companies	1.601	-
Technical fee	1.292	1.223
Scrap	958	1.173
Revenue from participation for H&S	615	-
Income from sold trade mark and other services	406	1.236
Other revenues from previous years	309	-
Surplus of products	15	189
Canteen	-	1.841
Revenues from sold fixed assets	-	1.596
Others	410	1.100
	<u>24.719</u>	<u>45.587</u>

Gain from sale of fixed assets in amount of MKD 5.246 thousand consist of expropriated construction land in favour of Republic of Macedonia.

The actuarial gains and reversal of unused provision for employee's benefits in amount of MKD 5.009 thousand relates to changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit method.

3. Revenue and expenses (continued)

d) Other operating income (continued)

Revenues from sold materials in amount of MKD 4.457 thousand consist of MKD 3.895 thousand related to sold fly-ash (transit) to related party in Kosovo and MKD 562 thousand related to sell other materials (electrodes).

Rent income in amount of MKD 4.401 thousand consist of rented RMC pump and silo trucks in amount of MKD 3.588 thousand, land in amount of MKD 801 thousand, and office space in amount of MKD 12 thousand all to third parties.

e) Other operating expenses

	2010 MKD '000	2009 MKD '000
Actuarial losses and related costs for employees benefits	12.696	36.455
Write off of obsolete inventory	8.460	33
Extraordinary losses	8.107	2.367
Staff leaving indemnities (including VELP)	6.377	139.988
Transport of sold materials-Fly Ash	3.469	-
Promotion and advertisement	2.651	1.128
Net book value of disposed fixed assets	1.138	1.660
Business premises costs	953	323
Provision for bad and doubtful debts	527	-
Withholding tax	420	9
Cost of sold materials-Fly Ash	371	7.405
Cost for compensation to clients	316	-
Shortage of goods in warehouse	22	9.044
Penalties for unpaid taxes	-	32.911
Other	545	256
	<u>46.052</u>	<u>231.579</u>

The amount of MKD 12.696 thousand represents actuarial losses and additional finance costs and current service costs which arise from experience adjustments and changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit (see Note 12).

The amount of MKD 8.460 thousand represents write-off obsolete inventory recognized and approved with the year end inventory count.

The amount of MKD 8.107 thousand consist of MKD 3.652 thousand related to the charges for unpaid VAT of fly-ash which was recognised in the past as VAT receivable but after tax control recognised as expense from unaudited tax years, than MKD 3.484 related to re-charged services from strategic partner to the Company and the rest represents small negligible expenses.

Staff's leaving indemnities (including VELP) in amount of MKD 6.377 thousands are related to several employees, out of total 41 employees, who have been served termination notices during 2009 and who subsequently applied for the voluntary scheme proposed by the Company as part of the Company's activities for reduction of the number of employees.

3. Revenue and expenses (continued)

f) Selling and marketing expenses

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Gross salaries and wages	21.962	24.144
Car expenses	3.081	2.957
Electricity, telephones, post expenses etc.	2.404	3.068
Research costs	1.819	1.835
Promotion and advertisement	1.282	450
IT consultancy fees and related expenses	548	721
Travelling	373	349
Insurance	97	201
Other taxes	41	2.365
Legal fees	2	2
Storage space fee and transport for returned cement	-	13.486
Other expenses	1.840	1.293
	<u>33.449</u>	<u>50.871</u>

g) Administrative expenses

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Gross salaries and wages	40.675	45.029
Technical fee	30.567	59.008
Donations	7.076	3.840
Electricity, telephones, post expenses etc	4.378	4.692
Legal fees	4.081	4.401
Promotion and advertisement	3.035	7.629
Other utilities	2.843	1.353
Travelling	2.801	2.783
Car expenses	2.636	2.375
Audit fees	2.503	2.518
IT consultancy fees and related expenses	1.283	1.216
Insurance	203	486
Other expenses	8.660	14.114
	<u>110.741</u>	<u>149.444</u>

h) Finance income, net

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Interest income	13.070	14.864
Bank charges	(1.806)	(3.628)
Interest expense	(1.853)	(19.502)
Net foreign exchange (losses)	(1.420)	(2.238)
	<u>7.991</u>	<u>(10.504)</u>

4. Income tax expense

The income tax expense comprises of:

	<i>2010</i> <i>MKD'000</i>	<i>2009</i> <i>MKD'000</i>
Tax on non-deductible expenses	11.132	12.319
Tax on pre dividend distribution	94.889	88.111
Provision on unaudited tax years	-	15.122
Reversal of temporary differences	6.928	-
	<u>112.949</u>	<u>115.552</u>

For 2010 and 2009, as explained in the Note 21, the calculation of the tax on non-deductible expenses is as follows:

	<i>2010</i> <i>MKD'000</i>	<i>2009</i> <i>MKD'000</i>
Tax on non-deductible expenses	11.132	13.982
Tax relief on paid jubilee awards and retirement allowances provided for in previous tax period	-	(1.663)
	<u>11.132</u>	<u>12.319</u>

On 26 October 2010, the Board of Directors brought a Decision for distribution of advance dividend for the period January - September 2010 in accordance with the Company Law based on the profit for the nine months of 2010 reviewed by the auditors. The advanced dividend declared was in amount of MKD 948.888 thousand and taxed with tax on dividend distribution of 10% i.e. amount of MKD 94.889 thousand.

Deferred tax asset arising from deductible temporary differences from the past in amount of MKD 6.928 thousand has been reversed as the basis for its recognition ceased to exist with the introduction of the new tax regime. The reversal has been effected through the caption where initially recognized (i.e. income tax line in the statement of profit or loss).

5. Property, plant and equipment

	<i>Land and Buildings MKD'000</i>	<i>Equipment MKD'000</i>	<i>Construction in progress MKD'000</i>	<i>Total MKD'000</i>
Cost				
At 1 January 2010	2.892.114	4.426.812	128.842	7.447.768
Additions	14.060	27.616	106.011	147.687
Transfers from CIP	28.430	14.504	(42.934)	-
Disposals	(1.483)	(49.849)	-	(51.332)
At 31 December 2010	2.933.121	4.419.083	191.919	7.544.123
Depreciation				
At 1 January 2010	1.945.416	3.166.231	-	5.111.647
Charge for the year	40.988	236.062	-	277.050
Disposals	-	(48.711)	-	(48.711)
At 31 December 2010	1.986.404	3.353.582	-	5.339.986
Net book value at 31 December 2010	946.717	1.065.501	191.919	2.204.137
Net book value at 1 January 2010	946.698	1.260.581	128.842	2.336.121

6. Investment property

	<i>2010 MKD'000</i>	<i>2009 MKD'000</i>
Opening balance at 1 January	35.796	5.284
Additions	156	-
Transfers from PPE, net	-	30.512
Less: Depreciation charge for the period	(1.548)	-
Closing balance at 31 December	34.404	35.796

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.

The fair value of the investment property approximates its cost.

7. Inventories

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Spare parts and supplies	248.024	265.883
Consumable stores	162.438	179.984
Finished goods	56.326	79.501
Semi-finished goods	82.617	68.020
Raw materials	79.931	74.621
Packing materials	17.268	19.083
Goods for resale	104	398
Prepayments for inventory purchase	3.992	6.036
	<u>650.700</u>	<u>693.526</u>

8. Trade and other receivables

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Trade debtors domestic	96.098	40.326
Trade debtors foreign	60.297	38.012
Advances to suppliers	1.019	4.509
Prepayments	6.916	390
Other current assets	36.896	22.440
	<u>201.226</u>	<u>105.677</u>

Included in other current assets are restricted time deposits held with Stopanska Banka of MKD 21.133 thousand related to the issued guarantees for custom duties and supply of electric energy.

Trade receivables are non-interest bearing and are generally on 0 - 120 days terms.

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

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2010	156.395	154.048	1.876	471	-	-	-
2009	78.338	67.590	10.369	379	-	-	-

9. Short term loans receivable

On 12 November 2009, the Company concluded a Credit Facility Agreement with TITAN Global Finance PLC ("the Borrower") representing frame credit agreement with a limit of EUR 5.500 thousand. The frame can be withdrawn upon written request of the Borrower in one or more tranches (each representing separate loan). The withdrawn facilities are repayable by the Borrower in whole or in part on demand by the Company at any time or at discretion of the Borrower, but not later than two years after the date of the Agreement. The Agreement is concluded for a period of one year and eleven months and the interest rate is EURIBOR for the relevant period plus 1,30 per cent p.a..

As of 31 December 2010, only one tranche is withdrawn by the Borrower in amount of MKD 153.750 thousands i.e. EUR 2.500 thousand for the period from 21 December 2010 to 04 January 2011.

10. Cash and cash receivables

	<i>2010</i> <i>MKD'000</i>	<i>2009</i> <i>MKD'000</i>
Bank deposits	-	121.426
Cash at bank	24.690	10.629
Cash at hand	23	39
	<u>24.713</u>	<u>132.094</u>

11. Share capital

<i>Authorized, issued and fully paid</i>	<i>Number of shares</i>	<i>% holding</i>
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	<u>29.117</u>	<u>5,16%</u>
	563.784	100%
		<i>Amount MKD'000</i>
Share capital as registered		1.747.730
Less: Additional paid in capital		(14.869)
At 31 December 2010 and 31 December 2009		<u>1.732.861</u>

11. Share capital (continued)

Dividends paid and proposed

MKD '000

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

Advanced dividend for 2009:

MKD 1.406,57 per share

Declared:

793.000

Paid:

793.000

Declared and paid during the period ended 31 December 2010

Final dividend for 2009:

MKD 1.187,00 per share

Declared:

669.348

Paid:

669.344

Advanced dividend for 2010:

MKD 1.514,76 per share

Declared:

854.000

Paid:

854.000

Dividends declared and paid for the year ended 31 December 2010 and year ended 31 December 2009 entirely relate to cash dividends on ordinary shares. For advance dividend see Note 4.

12. Provision for retirement benefits

	<i>2010</i>	<i>2009</i>
	<i>MKD '000</i>	<i>MKD '000</i>
Defined retirement benefit obligations	24.422	24.220
Defined jubilee anniversary award obligations	23.297	25.165
Defined scholarship obligations	23.486	22.474
	<u>71.205</u>	<u>71.859</u>
<i>Analyzed as:</i>		
Non-current portion	62.971	61.154
Current portion	8.234	10.705
	<u>71.205</u>	<u>71.859</u>

12. Provision for retirement benefits (continued)

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

	2010 MKD'000	2009 MKD'000
At 1 January	71.859	52.384
Current service costs	7.454	24.517
Interest cost	4.363	2.761
Recognised actuarial (gains)/losses, net	<u>(1.480)</u>	<u>9.177</u>
	82.196	88.839
Benefits paid during the year	(8.341)	(779)
Unused provision reversed	<u>(2.650)</u>	<u>(16.201)</u>
At 31 December	<u>71.205</u>	<u>71.859</u>

The amounts recognised in the profit and loss are as follows:

	2010 MKD'000	2009 MKD'000
Current service costs	7.454	24.517
Interest cost	4.363	2.761
Recognised actuarial (gains)/losses	<u>(1.480)</u>	<u>9.177</u>
	<u>10.337</u>	<u>36.455</u>

The principal actuarial assumptions used in 2010 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) Starting from 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.

The used financial assumptions were as follows:

Nominal annual increase of the average republic net salary: 5,5%;
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.

13. Trade and other payables

	2010 MKD'000	2009 MKD'000
Trade creditors - non € currency	163.441	140.631
Trade creditors - € currency	34.311	44.845
Tangible assets creditors	48.364	7.628
Customer prepayments	61.186	34.272
Other current liabilities	23.884	32.344
	<u>331.186</u>	<u>259.720</u>

14. Contingences and Commitments

Contingent liabilities

	2010 MKD'000	2009 MKD'000
Performance guarantees	2.170	-
Tender guarantees	3.194	-
Bank guarantees	21.133	5.015
	<u>26.497</u>	<u>5.015</u>

As of 31 December 2010 the Company has obtained a bank payment guaranties from Stopanska Banka in favour of Customs of MKD 5.025 thousand valid till 27 March 2011 and in favour of Gen-I Dooel Skopje of MKD 16.108 thousand for the supply of electric energy valid till 20 March 2011. In addition, the Company has obtained bank payment guarantees from Alpha Bank in total of MKD 2.170 thousand in favour of the Ministry of Economy for realisation of concession agreements and tender guaranties in total of MKD 3.194 thousand.

Commitments

Operating lease commitments - company as lessee

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

	2010 MKD'000	2009 MKD'000
Up to 1 year	4.010	5.012
Later than 1 year and not later than 5 years	3.116	7.126
	<u>7.126</u>	<u>12.138</u>

Purchase commitments

As at 31 December 2010, the Company has entered into contract for the purchase of electricity for 2011. The commitment undertaken for the whole 2011 will be approximately in amount to MKD 205.970 thousand.

15. 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

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Cement Plus Ltd - cement, usjedor and white cement	1.233.779	1.334.688
SHARR Beteiligungs Gmbh-Pet Coke	305.753	-
Antea Cement SHA - grey cement	22.433	131.024
Cement Plus Ltd - Freight revenue	19.096	-
Trojan Cem EOOD Sofija – cement	8.035	-
SHARR Beteiligungs Gmbh-Fly Ash	3.895	-
Cement Plus Ltd - technical fee	1.292	1.224
Titan Global Finance PLC London- Interest Income	367	-
	<u>1.594.650</u>	<u>1.466.936</u>

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

Receivables from related parties

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Titan Global Finance-short term loan	153.750	-
SHARR Beteiligungs Gmbh-Fly Ash-Pet Coke	59.006	-
Cement Plus Ltd - technical fee	1.292	1.224
Titan Global Finance-interest	94	-
Antea Cement SHA - grey cement	-	2.716
	<u>214.142</u>	<u>3.940</u>

15. Related party transactions (continued)

b) Purchases of goods and services

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Titan Cement Company - white cement and pet coke	592.558	335.861
Balkcem Limited - technical fee	30.567	59.008
Titan Zlatna Panega - grinding media	2.637	-
Titan Zlatna Panega – purchased clinker	2.566	3.247
Titan Zlatna Panega - grey cement	329	2.932
SHARR Beteiligungs Gmbh-Cement	127	-
Titan Cement Company - purchased clinker	-	20.610
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
Titan Kosjeric - spare parts and supplies	-	257
Titan Zlatna Panega - raw materials	-	135
Titan Cement Company - raw materials	-	134
Titan Cement Company - services	-	57
	<u>628.784</u>	<u>427.275</u>

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

Payables to related parties

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Cement Plus Ltd. – prepayments	27.982	5.091
Titan Cement Company - white cement and pet coke	15.017	3.149
Balkcem Limited - technical fee	9.179	24.987
SHARR Beteiligungs Gmbh-Cement	127	-
Titan Zlatna Panega - grey cement	105	3.584
ADOCIM Cimento Beton A.S.- services	-	1.835
	<u>52.410</u>	<u>38.646</u>

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

16. Financial risk management objectives and policies

The Company's principal financial liabilities comprise of 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 2010 and 31 December 2009 based on contractual undiscounted payments.

Year ended 31 December 2010

	<u>On demand</u>	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>1 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
Trade payables	-	221.660	-	-	-	221.660
Other payables	-	59.485	-	-	-	59.485
Payables to related parties	-	52.410	-	-	-	52.410

Year ended 31 December 2009

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

16. 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 and short term borrowing receivables, 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 2010 and 31 December 2009.

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

	<i>2010</i>	<i>2009</i>
	<i>MKD'000</i>	<i>MKD'000</i>
EBITDA	<u>1.892.227</u>	<u>1.938.365</u>

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

Appendix A

Financial Statements for the year ended 31 December 2010

Supplementary information concerning the calculation of EBITDA

		<i>2010</i>
		<i>MKD'000</i>
Sales		3.717.348
Other revenue		429.042
Cost of sales		<u>(2.066.806)</u>
Gross profit		2.079.584
Other operating income		24.719
Other operating expenses		(46.052)
Selling and marketing expenses		(33.449)
Administrative expenses		(110.741)
Fly-ash disposed off		(21.834)
Depreciation and amortization		<u>(286.603)</u>
Operating profit	EBIT	<u>1.605.624</u>
Net finance income		<u>7.991</u>
Profit before tax	EBT	1.613.615
Income tax expenses		(112.949)
Net profit for the year		<u>1.500.666</u>
Other comprehensive income		-
Total comprehensive income for the period		<u>1.550.666</u>
EBIT		1.605.624
Depreciation and amortisation		286.603
EBITDA		1.892.227