ANTEA CEMENT Sh. A ALBANIA

FINANCIAL STATEMENTS

FOR GROUP CONSOLIDATION REPORTING

PURPOSES

FOR THE YEAR ENDED 31 DECEMBER 2011

INDEX TO THE FINANCIAL STATEMENTS

Ernst&Young Certified Auditors
Sh.p.k. Skopje - Tirana Branch
Dibra Str. Observator Building, 7th floor
Tirana, Albania

Tel: (+355 4) 24 19 571
Fax: (+355 4) 24 19 570
www.ey.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of ANTEA CEMENT SHA - TIRANE

We have audited the condensed financial statements for group consolidation reporting purposes of Antea Cement Sha ("the Company"), which comprise the statement of financial position as at 31 December 2011, 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 € 500.000.

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 2011 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.

30 January 2012, Tirana

Ernst + Young Certified Auditors Shpk

Ernst & Young Certified Auditors Ltd -
Skopje Triana Branch.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Notes	2011 ALL'000	2010 ALL'000
Sales of products	3.1	7.623.150	6.800.967
Other revenues	3.2	59.303	86.197
Revenue		**7.682.453**	**6.887.164**
Cost of Sales	3.3	(6.203.935)	(5.193.461)
Gross Profit		**1.478.518**	**1.693.703**
Other Income	3.4	148.086	231.677
Other Expenses	3.5	(330.228)	(279.878)
Selling and Marketing Expenses	3.6	(597.820)	(708.808)
Administrative expenses	3.7	(590.108)	(476.263)
Operating Profit		**108.448**	**(460.431)**
Finance revenue	3.9	782.321	649.118
Finance cost	3.9	(1.800.050)	(1.099.151)
Profit before tax		**(909.281)**	**10.398**
Income tax expense	4.0	(276.667)	(177.490)
Profit for the year		**(1.185.948**	**(167.092)**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**(1.185.948)**	**(167.092)**

The Statement of Comprehensive Income is to be read in conjunction with the notes set on pages 5 to 31, forming an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
at 31 December 2011

	Notes	2011 ALL'000	2010 ALL'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	22.261.722	22.837.676
Intangible assets	6	22.191	11.510
Investment in subsidiary	7	937.971	825.146
Deferred Tax Assets	4.1	-	-
		23.221.884	**23.674.332**
Current assets			
Inventories	8	1.488.627	1.123.141
Trade Receivables	9	1.296.481	1.015.633
Other Receivables	10	2.450.300	2.798.899
Receivables from Related Parties	16.b	370.777	231.033
Cash and cash equivalents	11	651.635	268.832
		6.257.820	5.437.538
TOTAL ASSETS		**29.479.704**	**29.111.870**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued Capital	12	7.686.510	7.686.510
Retained earnings		(2.979.896)	(1.793.948)
		4.706.614	**5.892.562**
Non-current liabilities			
Interest-bearing loans & borrowings	13a	20.497.110	20.390.270
Re-forestation provision	14	26.743	39.026
Deferred tax liabilities /netted/	4.1	447.282	170.615
		20.971.135	**20.599.911**
Current liabilities			
Trade payables	15	670.487	1.196.871
Other payables	16	26.126	67.770
Interest-bearing loans & borrowings	13.b	2.053.270	733.452
Payables to Related Parties	16.d	1.052.072	621.304
		3.801.955	**2.619.397**
TOTAL EQUITY AND LIABILITIES		**29.479.704**	**29.111.870**

Authorized on behalf of the Board of Directors

Angelos Kalogerakos
Chief Executive Officer

Atanas Yurukov
Financial Director

The Statement of Financial Position is to be read in conjunction with the notes set on pages 5 to 31, forming an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	Notes	2011 ALL'000	2010 ALL'000
Profit before tax		**(909.281)**	**10.398**
Cash flows from operating activities			
Non cash adjustments			
Depreciation and impairment of PPE		785.240	454.130
Amortization of intagible Assets		2.798	1.520
Correction of errors		-	(36.597)
Movement in doubtful debt allowance		142.381	29.569
Movement in restoration provision		(12.283)	(7.531)
Interest income		(8.652)	-
Interst expense		904.591	185.194
FX Gains / Losses		82.024	199.473
(Gain)/Losses on Disposal of FA		6.072	-
Operating profit before working capital changes		**992.890**	**836.156**
Working capital adjustment:			
Decrease / (Increase) in inventories		(365.486)	(867.893)
Decrease / (Increase) in trade and other receivables		(207.574)	326.580
Increase / (Decrease) in trade and other payables		(149.948)	(2.618.236)
Net Cash flows generated from operations		**269.882**	**(2.323.393)**
Cash flows from investing activities			
Proceeds from sale, plant and equipment		-	(30)
Purchase of property, plant and equipment		(215.358)	(3.280.608)
Purchase of intangible assets		(13.479)	(9.958)
Purchase of shares in subsidaries investments		(112.825)	(318.472)
Interest income received			-
Net cash flows generated (used in) / from investing activities		**(341.662)**	**(3.609.068)**
Cash flows from financing activities			
Proceeds of borrowings net		5.276.705	6.288.424
Interest Paid		(826.549)	(183.597)
Interest Received		8.652	2.667
Repyment of borrowings		(3.957.180)	-
Repayment of Front End Fees		(47.045)	-
Net cash flows (used) in financing activities		**454.583**	**6.107.494**
Net increase/(decrease) in cash and cash equivalents		382.803	175.033
Cash and cash equivalents at 1 January		268.832	93.799
Cash and cash equivalents at 31December	**11**	**651.635**	**268.832**

The Statement of Cash Flow is to be read in conjunction with the notes set on pages 5 to 31, forming an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital ALL'000	Retained earnings ALL'000	Total ALL'000
At 1 January 2010	**7.686.510**	**(1.626.856)**	**6.059.654**
Net loss for the year	-	(167.092)	**(167.092)**
Other Comprehensive Income	-	-	-
Total Comprehensive Loss for the Period	-	(167.092)	(167.092)
At 31 December 2010	**7.686.510**	**(1.793.948)**	**5.892.562**

For the year ended 31 December 2011

	Share capital ALL'000	Retained earnings ALL'000	Total ALL'000
At 1 January 2011	**7.686.510**	**(1.793.948)**	**5.892.562**
Net loss for the year	-	(1.185.948)	**(1.185.948)**
Other Comprehensive Income	-	-	-
Total Comprehensive Loss for the Period	-	(1.185.948)	(1.185.948)
At 31 Decemeber.2011	**7.686.510**	**(2.979.896)**	**4.706.614**

The Statement of Changes in Equity is to be read in conjunction with the notes set on pages 5 to 31, forming an integral part of the financial statements.

1. Corporate information

Antea Cement Sh.A. - Tirana ("the Company") is incorporated in the Republic of Albania with the registered address at str. Kashar, Katundi i ri, Autostrada Tirane-Durres km 7, PO BOX 1746 , Tirana, Albania.

The Company's main activity is production and trade of cement, bulk and packed in bags.

The Company is controlled by ALVACIM Ltd registered in Greece, which has 60% shareholding in the Company, E.B.R.D and IFC each respectively have 20% shareholding in the company.
The Company's ultimate parent is Titan Cement Company S.A. - Greece.

The number of employees as of 31 December 2011 was 206; (31 December 2010: 200).

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. 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, except for investment in subsidiaries that have been measured at fair value. The presentation currency is Albania lek ("ALL") being also the functional currency and all values are rounded to the nearest thousand ('000 ALL) 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 financial statements are the stand alone financial statements of the Company. The Company has two subsidiaries, Albacemento Sh.p.k. and Cementi Antea SRL, in everyone of each owns 100 %. These subsidiaries are accounted for these financial statements at cost less any impairment in value.

Some prior year balances were reclassified for presentation purposes.

b. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year. The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)**
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
- **IAS 24 Related Party Disclosures (Amended)**
- **IAS 32 Classification on Rights Issues (Amended)**
- **Improvements to IFRSs (May 2010)**

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

2. Summary of significant accounting policies (continued)

b. Changes in accounting policy and disclosures Continued

- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
  The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss.

- **IAS 24 Related Party Transactions (Amendment)**
  The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The amendment is applied retrospectively.

- **IAS 32 Financial Instruments: Presentation (Amendment)**
  The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment is applied retrospectively.

- **Improvements to IFRSs**
  In May 2010, the IASB issued its third 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 no impact on the financial position or performance of the Group.

  - ***IAS 1 Presentation of Financial Statements:*** The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements

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

  - IFRS 1 First-time adoption
  - IFRS 3 Business Combinations:
  - IFRS 7 Financial Instruments - Disclosures:
  - IAS 27 Consolidated and Separate Financial Statements
  - IAS 34 Interim Financial Reporting:
  - IFRIC 13 Customer Loyalty Programmes:

c. Standards issued but not yet effective and not early adopted

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**
  The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

2. Summary of significant accounting policies (continued)

c. Standards issued but not yet effective and not early adopted

- **IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets**
  The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

- **IAS 19 Employee Benefits (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

- **IAS 27 Separate Financial Statements (Revised)**
  The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Earlier application is permitted. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
  The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Earlier application is permitted. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2014.This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements**
  The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has only disclosure effects. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

2. Summary of significant accounting policies (continued)

c. Standards issued but not yet effective and not early adopted

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2013.The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. The amendment has only disclosure effects. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

- **IFRS 9 Financial Instruments - Classification and Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities using the FVO. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. Early application is permitted. The amendment has only disclosure effects. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

- **IFRS 10 Consolidated Financial Statements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The amendment has only disclosure effects. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

- **IFRS 11 Joint Arrangements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The amendment has only disclosure effects. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

- **IFRS 12 Disclosures of Involvement with Other Entities**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The amendment has only disclosure effects. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

- **IFRS 13 Fair Value Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. The amendment has only disclosure effects. The company is in the process of assessing the impact of this amendment on the financial position or performance of the company.

2. Summary of significant accounting policies (continued)

d. Investments in subsidiary

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.

e. 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. Outstanding foreign currency monetary items at the balance sheet date are reported at the closing rate. 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 expenses for the period in which they arise.

f. Property, plant and equipment

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

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 balance sheet, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Depreciation of property, plant and equipment 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 based on the useful life of each asset.

Estimated useful lives of every class of assets as follows:

Buildings and improvements	- up to 40 years
Plant and machinery	- up to 40 years
Motor vehicles	- up to 15 years
Office furniture, computers	- up to 10 years

Land is stated in the balance sheet at cost less impairment and is not depreciated as it is deemed to have an infinite life.

2. Summary of significant accounting policies (continued)

g. Financial instruments – initial recognition and subsequent measurement

<u>**(i) Financial assets**</u>

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.

<u>**(i) Financial assets (continued)**</u>

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 2011 and 2010.

2. Summary of significant accounting policies (continued)

g. Financial instruments – initial recognition and subsequent measurement (continued)

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 2011 and 2010.

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.

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.

2. Summary of significant accounting policies (continued)

g. Financial instruments – initial recognition and subsequent measurement (continued)

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.
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.

2. Summary of significant accounting policies (continued)

g. Financial instruments – initial recognition and subsequent measurement (continued)

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 or net realizable value. Costs incurred in bringing each product to its present location and condition are accounted on the basis of purchase value of the goods and related overheads, cost being generally determined on the basis of a weighted average method.

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

i. 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.

j. 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 three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

k. Share capital

Ordinary shares are classified as equity.

l. 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.

2. Summary of significant accounting policies (continued)

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

The computation and payment of the income tax is in accordance with the Income tax Law. The payment of the monthly tax is in advance. The final tax with tax rate of 10% (2010 10%) is calculated on the profit from the income statement, corrected for certain positions in accordance with the legislation.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

n. Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.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.

o. Revenue

Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, discounts and after eliminating sales within the Company.

Sales of goods

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

2. Summary of significant accounting policies (continued)

o. Revenue (Continued)

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

Revenue relates to time deposits and is recognized as interest accrues.

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. 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.

r. 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 plant an certain amount of trees within a period of 5 years), 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.

2. Summary of significant accounting policies (continued)

r. Financial risk management (continued)

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.

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

3.1) Sales

The sales reflected in the statements of comprehensive income are analyzed as follows in terms of domestic and foreign markets as well as per type of product

	2011 ALL'000	2010 ALL'000
Gross sales		
Domestic market	5.465.736	5.177.819
Foreign market	2.157.414	1.623.148
	7.623.150	**6.800.967**
Domestic market		
Income from Imported Cement	70.592	996.154
Income from Own Cement	5.349.088	4.181.665
Income from Clinker	46.056	-
	5.465.736	**5.177.819**
Foreign market		
Income from Cement	1.965.743	1.422.441
Income from Clinker	191.671	200.707
Other	-	-
	2.157.414	**1.623.148**

3.2) Other Revenues

The other revenue in the statements of comprehensive income is analyzed as follows:

	2011 ALL'000	2010 ALL'000
Third party freight	59.303	86.197
	59.303	**86.197**

3.3) Cost of sales

The Cost of Sales in the statements of comprehensive income is analyzed as follows:

	2011 ALL'000	2010 ALL'000
Variable Costs		
Distribution expenses - freight	1.324.312	695.944
Kiln fuel	1.630.038	1.420.166
Electricity	682.673	620.564
Raw materials & Additives	539.143	614.527
Refractory	91.048	1.790
Fuel & oil	42.093	35.900
Royalty	11.228	10.368
Packing expenses	452.599	303.343
Cost of Imported Cement	62.047	960.895
Other items of variable cost	1.576	-
Fixed Costs		
Salaries and related expenses	213.055	195.147
Repair &Maintenance – spare parts	178.197	104.446
Services from Third Parties	158.394	77.494
Plant utilities	26.955	22.823
Other fixed cost	32.320	33.099
Depreciation charges	722.421	409.889
Inventory Variation	35.836	(312.934)
	6.203.935	**5.193.461**

3.4) Other Operating Income

	2011 ALL'000	2010 ALL'000
Income from sold Materials	145.263	185.668
Income from sold fixed assets	-	1.381
Other	2.823	44.628
	148.086	**231.677**

Revenues from sold materials in amount of ALL 145.263 thousand (31 December 2010: Lek 185.668 thousand) relates to imported pet-coke sold to companies in Albania.

3.5) Other operating expenses

	2011 ALL'000	2010 ALL'000
Cost of materials sold	94.265	176.865
Net book value of sold assets/disposed	1.105	1.411
Provision for bad debts, net	142.381	29.569
Restoration provision	-	1.764
Losses of inventory	30.890	63.458
Other Expenses	61.587	6.811
	330.228	**279.878**

Movements in Provision for Bad Debts are shown in more detailed under note 9.

3.6) Selling and Marketing Expenses

The selling and Marketing expenses in the statements of comprehensive income is analyzed as follows :

	2011 ALL'000	2010 ALL'000
Terminal Expenses	408.894	545.902
Sales commissions fees	102.504	102.016
Salaries and related expenses	38.678	30.144
Utilities	18.127	13.128
Other expenses	29.617	17.618
	597.820	**708.808**

3.7) Administrative expenses

The administrative expenses in the statements of comprehensive income are analyzed as follows:

	2011 ALL'000	2010 ALL'000
Salaries and related expenses	137.701	101.350
Consultancy fees	163.475	72.071
Utilities	37.965	35.537
Travel-entertainment	35.200	22.686
Audit Fees	5.100	1.080
Repairs & Maintenance	20.396	14.859
Insurance & Taxes	18.094	19.235
Supplies	77.910	94.275
Depreciation	62.819	44.241
Amortization	2.798	1.520
Other Expenses	28.650	69.409
	590.108	**476.263**

3.8) Employee benefits expense

The employee benefits included under cost of sales and administrative expenses are summarized furtherer as follows :

	2011 ALL'000	2010 ALL'000
Gross Salaries	245.658	228.739
Other Related Expenses	143.776	97.902
	389.434	**326.641**

3.9) Finance Income/Cost

The finance Income and cost in the statements of comprehensive income is analyzed as follows :

	2011 ALL'000	2010 ALL'000
Finance Income		
Interest Income	8.652	2.667
Foreign Exchange Gain	773.669	646.451
Finance Income	**782.321**	**649.118**
Finance Cost		
Interest Expenses	(904.591)	(368.791)
Bank Charges	(17.910)	(81.469)
Foreign Exchange Losses	(877.549)	(648.891)
Finance Cost	**(1.800.050)**	**(1.099.151)**

4. Income tax

The income tax expense comprises of:

	2011 ALL'000	2010 ALL'000
Current income tax charge	-	-
Deferred Tax (Charge)/ benefit	(276.667)	(177.490)
	276.667	177.490

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 period ended

4. Income tax (continued)

	2011 ALL'000	2010 ALL'000
Accounting profit before income tax	(909.281)	10.398
Income tax expense at statutory rate of 10% for 2010 (2010:10%)	**(90.928)**	**(1.040)**
Expenses not deductible for tax purposes	(19.086)	(18.497)
Revenue not subject to tax - reversals	73	771
Impairment of Bad debts	(14.311)	2.967
Tax Depreciations	467.814	179.686
Provisions for forestation	-	-
Other items /loses previous years/	(66.895)	13.604
Income tax expense	**276.667**	**177.490**

4.1 Deferred Tax

Deferred income tax at 31 December 2011 and 31 December 2010 relates to the following:

	Balance sheet		Income statement	
	2011 ALL'000	2010 ALL'000	2011 ALL'000	2010 ALL'000
Deferred tax assets				
Restoration Provision	2.674	3.903	1.229	(761)
Impairment of Receivables	17.857	5.168	(12.689)	2.957
	20.531	**9.071**	**(11.460)**	**2.196**
Deferred tax liabilities				
Accelerated depreciation/amortization for tax purposes	(467.813)	(179.686)	(288.127)	(179.686)
	467.813	**179.686**	**(288.127)**	**(179.686)**
Deferred income tax incomes((losses)	**(447.282)**	**(170.615)**	**(276.667)**	**(177.490)**

5. Property, plant and equipment

	Land and improvements ALL'000	Buildings ALL'00	Plant and machinery ALL'000	Vehicles ALL'000	Furniture and Fittings ALL'000	Electronic Equipments ALL'000	Assets under construction ALL'000	Total ALL'000
Cost								
At 1 January 2010	58.230	35.153	13.230	4.302	22.298	8.470	19.898.410	**20.040.183**
Additions	322.073	122.390	752.805	12.139	2.696	13.432	2.055.074	**3.280.609**
Transfers	2.176.853	1.448.790	18.111.635	210	605	143.941	(21.882.034)	-
Disposals	-	(1.693)	(184)	-	(4.044)	(488)	(18.658)	(25.067)
At 31 December 2010	**2.557.156**	**1.604.640**	**18.877.576**	**16.651**	**21.555**	**165.355**	**52.792**	**23.295.725**
Additions	142.518	-	17.194	6.080	1.940	3.119	44.506	**215.357**
Transfers	-	42.625	-	-	-	-	(42.625)	-
Disposals	-	-	-	-	-	-	(6.072)	**(6.072)**
At 31 December 2011	**2.669.674**	**1.647.265**	**18.894.770**	**22.731**	**23.495**	**168.474**	**24.677**	**23.505.010**
At 01January 2010	-	-	1.128	1.337	3.086	1.503	-	**7.044**
Depreciation charge for the year	23.782	17.646	395.785	2.353	5100	9.464	-	**445.130**
Disposals	-	(73)	(184)	-	(2.414)	(454)		**(3.125)**
At 31 December 2010	**23.782**	**17.573**	**396.729**	**3.680**	**5.772**	**10.513**	-	**458.049**
Depreciation charge for the year	62.791	41.229	654.852	3.859	3.678	18.831	-	**785.240**
Reversal of Depreciation	-	-	-	-	-	-	-	-
At 31 December 2011	**86.573**	**58.802**	**1.051.581**	**7.539**	**9.450**	**29.344**	-	**1.243.289**
Net book value								
At 31 December 2011	**2.613.101**	**1.588.463**	**17.843.189**	**15.192**	**14.045**	**139.130**	**48.602**	**22.261.722**
At 31 December 2010	**2.533.374**	**1.587.067**	**18.480.847**	**12.971**	**15.783**	**154.842**	**52.792**	**22.837.676**
At 01 January 2010	**58.230**	**35.153**	**12.192**	**2.975**	**19.212**	**6.967**	**19.898.410**	**20.033.139**

5. Property, plant and equipment (continued)

Included under assets under constructions there are included strategic spare parts amounting to Lek 23.925 thousand (31 December 2010; nil).

The Albanian Government by the means of a special law No:9793 dated 23.07.2007 transferred to the company as an incentive to attract foreign investments land plots of 250 hectare for a period of 99 Yars .

6. Intangible assets

The intangible assets in the statements of financial positions are analyzed as follows :

	Computer software	Intangible CIP	Total
Cost:			
At 31 December 2009	3,072	-	3,072
Additions	9,958	-	9,958
At 31 December 2010	13,030	-	13,030
Additions	11,524	1,955	13,479
At 31 December 2011	24,554	1,955	26,509
Amortisation:			
At 31 December 2009	-	-	-
Amortisation charge for the year	1,520	-	1,520
At 31 December 2010	1,520	-	1,520
Amortisation charge for the year	2,798	-	2,798
At 31 December 2011	4,318	-	4,318
Net book value:			
At 31 December 2011	20,236	1,955	22,191
At 31 December 2010	11,510	-	11,510

The company during 2011 has acquired additional software in order to automate more the various processes in the factory.

7. Investments in subsidiary

	2011 ALL'000	2010 ALL'000
ALBACEMENTO Shpk	756.766	756.766
CIMENTI ANTEA SRL	181.205	68.380
	937.971	825.146

During 2011, the Company increased its share capital of Cimenti Antea Srl from with an additional capital amounting to Euro 800 thousand or lek 112.825 thousand

8. Inventories

The inventories in the statements of financial positions are analyzed as follows :

	2011 ALL'000	2010 ALL'000
Raw materials (cost)	355.494	292.468
Spare Parts (at cost)	725.542	421.112
Packing materials (at cost)	39.162	49.343
Semi-finished goods (at cost)	175.213	163.790
Finished goods (at cost)	180.338	175.185
Goods for resale (at cost)	10.095	13.162
Other materials (at cost)	2.783	8.081
	1.488.627	**1.123.141**

9. Trade receivables

The trade receivables in the statements of financial positions are analyzed as follows:

	2011 ALL'000	2010 ALL'000
Trade receivables	1.475.055	1.067.315
Less: Provision for impairment	(178.574)	(51.682)
Trade Receivables Net	**1.296.481**	**1.015.633**

Movements in the allowance for doubtful accounts are as follows:

	2011 ALL'000	2010 ALL'000
Balance at 1 January	**51.682**	**22.113**
Impairment Charge for the Year	142.381	29.669
Reversal of Provision	-	(100)
Write off of Receivables	(15.489)	-
Balance at 31 December	**178.574**	**51.682**

As at 31 December 2011 and 31 December 2010, the aging analysis of trade receivables is analyzed as follows:

			Past due					
	Total	**Neither past due or impaired**	**Up to 30 days**	**30-60 days**	**60-90 days**	**90-180 days**	**>180 days**	**>360**
2011	**1.475.055**	669.508	177.559	130.837	88.136	134.225	247.132	27.658
2010	**1.067.315**	494.892	66.000	169.106	73.823	109.632	117.910	35.952

10. Other receivables

The other receivables in the statements of financial positions are analyzed as follows :

	2011 ALL'000	2010 ALL'000
VAT receivables	2.427.971	2.695.162
Income tax receivables	791	791
Sundry debtors	247	234
Prepayments for supplies	11.024	102.712
Deferred expenses	10.267	-
	2.450.300	2.798.899

Included in VAT receivables in 2011 there is an amount of LEK 2.399.296 thousand which represents the amount of VAT approved for reimbursement from the Tax Authorities.

11. Cash and cash equivalents

	2011 ALL'000	2010 ALL'000
Cash in hand Denominated in Lek	42	336
Cash in hand Denonimated in Foreign Currency	509	521
Cash at Bank Denominated in Lek	499.913	60.397
Cash at Bank Denominated in Foreign Currency	151.171	207.578
	651.635	268.832

Included in cash at banks there are two time deposits of Lek 389.004 thousand and Lek 24.900 thousand with Alpha Bank and Raiffeisen Bank respectively. The time deposits have a maturity of 5 days and 1 day and bear the following interest rates 2.7% respectively.

12. Issued Capital

	2011			2010		
Authorized, issued and fully paid	*Number of shares*	*% Holding*	*Face Value in ALL' 000*	*Number of shares*	*% Holding*	*Face Value in ALL' 000*
ALVACIM ltd –ordinary shares of ALL 2,000 each	2.305.953	60%	4.611.906	2.305.953	60%	4.611.906
EBRD-ordinary shares of ALL 2,000 each	768.651	20%	1.537.302	768.651	20%	1.537.302
IFC-ordinary shares of ALL 2,000 each	768.651	20%	1.537.302	768.651	20%	1.537.302
	3.843.255	100%	7.686.510	3.843.255	100%	7.686.510

13. Borrowings

a) Long term borrowings

The company has received long term loans from its shareholders and financing institutions as follows:

	2011 ALL'000	2010 ALL'000
Alvacim ltd	7.002.072	6.994.008
EBRD	2.334.024	2.331.336
IFC	2.334.024	2.331.336
EuroBank EFG	486.255	4.371.255
Societe General - Paris	3.820.575	3.816.175
Societe General - Albania	546.160	546.160
Banka Kombetare Tregetare	1.850.000	-
Raiffeisen Bank	2.124.000	-
	20.497.110	**20.390.270**

The Company has received the loans from EBRD & IFC on December 2008. The due date is March 2021. The interest chargeable for each loan disbursement is current Euribor + spread.

During 2010 the Company has received Long-Term loans as follows:

On 22 February 2010 the company concluded a 5 year borrowing facility with Euro Bank for Euro 35 Million. The amount outstanding as at 31 December 2011 is Euro 3.5 Million or Lek 486.255 thousand (31 December 2010; is Euro 31.5 Million or Lek 4.371.255 thousand). The company repaid the principal of the loan on 22 June and 29 September 2011

On 07 June 2010 the company concluded a 5 year borrowing facility with Societe General Bank - Paris for Euro 27,5 Million. The amount outstanding as at 31 December 2011 is Euro 27.5 Million or Lek 3.820.575 thousand (31 December 2010; is Euro 27.5 Million or Lek 3.816.175 thousand).

On 07 June 2010 the company concluded a 5 year borrowing facility with Societe General Bank - Albania for Euro 4 Million. The amount outstanding as at 31 December 2011 is Euro 3.9 Million or Lek 546.160 thousand (31 December 2010; is Euro 3.9 Million or Lek 546.160 thousand).

During 2011 the Company has received Long-Term loans as follows:

On 01 June 2011 the company concluded a 5 year borrowing facility with Banka Kombetare Tregetare (BKT) for Lek 1.850 Million. The amount withdrawn as at 31 December 2011 is Lek 1.850 million.

On 29 September 2011 the company concluded a 5 year borrowing facility with Raiffeisen Bank for Lek 2.124 Million. The amount withdrawn as at 31 December 2011 is Lek 2.124 million.

b) Short term borrowings

On 11 January 2011 the company concluded a 1 year borrowing facility with Titan Global Finance for Euro 9.6 Million. The facility was subsequently renewed in January 2012 for an additional period of 11 Months. The facility has been fully withdrawn.

13. Borrowings (Continued)

b) Short term borrowings (Continued)

	2011 ALL'000	2010 ALL'000
Loan Principal TGF	1.300.385	-
Accrued Interest TGF	2.571	-
TGF Front Fee	938	-
Sub Total due to TGF	**1.303.994**	-
Alvacim Accrued Interest	586.408	372.217
Alvacim Front End Fee	70.021	69.940
EBRD Accrued Interest	22.368	121.512
EBRD Front End Fee	-	23.313
IFC Accrued Interest	22.366	123.157
IFC Front End Fee	-	23.313
Subtotal due to Senior Lenders	**701.163**	**733.452**
Societe Generale Accrued Interest	7.566	-
Banka Popullore Accrued Interest	26.424	-
BKT Accrued Interest	13.289	-
Raiffeisen Bank Accrued Interest	934	-
Subtotal due to Banks	**48.213**	-
Total	**2.053.270**	**733.452**

14. Re-forestation Provision

	2011 ALL'000	2010 ALL'000
At 1 January	**39.026**	**46.637**
Increase in Porivison during the year	-	-
Utilised Provision	(12.283)	(7.611)
Balance at 31 December	**26.743**	**39.026**

According to the Law 9793 dated 23 July 2007 the Company has an obligation to plant 250 ha or 500.000 trees as a compensation for the areas which the Company has de-forested for building the plant and two quarries. This obligation has to be fulfilled within a period of 5 years during 2009-2013.

15. Trade Payables

	2011 ALL'000	2010 ALL'000
Trade creditors third Parties	609.108	1.067.555
Accruals for Supplies	61.379	129.316
	670.487	**1.196.871**

16. Other Payables

	2011 ALL'000	2010 ALL'000
Client's Advance Payments	12.944	51.805
Social security	4.030	3.655
Payroll taxes	2.641	2.011
Other Taxes	1.053	9.197
Other Payables	5.458	1.102
	26.126	**67.770**

17. Related party transactions

a) Sales of goods and services

	2011 ALL'000	2010 ALL'000
Albacemento Shpk – cement	-	205.176
TCK Montenegro (cement)	188.213	134.177
Alexandria Portland Cement (APCC)	138.415	501.616
Fintitan Italy (cement)	1.136.417	393.024
Cementi Antea(cement)	218.284	-
Titan Cement (services)	32.251	-
	1.713.580	**1.233.993**

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

b) Receivables from related parties

	2011 ALL'000	2010 ALL'000
Albacemento Shpk – cement	71.561	126.521
TCK Montenegro	20.552	20.730
Fintitan Italy	78.912	83.782
Cementi Antea	199.752	-
	370.777	**231.033**

17. Related party transactions (continued)

c) Purchases of goods and services

	2011 ALL'000	2010 ALL'000
Titan Cement Company	53.332	231.272
Titan Services	510.646	741.865
Alba Cemento	25.314	43.449
Albacem	64.951	63.705
Usje Cementarnica AD – Skopje	1.915	50.617
Zlatna Panega (Cement)	2.472	2.647
Zlatna Panega (Spare Parts)	-	969
Beni Suef, Egypt (services)	150	-
	658.781	**1.143.405**

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

d) Payables to related parties

	2011 ALL'000	2010 ALL'000
Titan Cement Company	929.469	559.552
Usje Cementarnica AD - Skopje	-	-
Zlatna Panega Cement	-	3.624
Albacemento Shpk	-	716
Albacem SA	122.453	57.412
Beni Suef, Egypt	150	-
	1.052.072	**621.304**

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

18. Financial risk management objectives and policies

The Company's principal financial instruments comprise trade receivables and trade payables and cash, which arise directly from its operations. The company's risk management approach is focused on unpredictability of the financial market and seeks to minimize potential adverse effects. Risk management is carried out under policies approved by the Board of Directors.

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 summarized below.

a) Interest risk

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

18. Financial risk management objectives and policies (continued)

b) Foreign exchange risk

The Company enters into transactions denominated in foreign currencies related to the sales of its products and purchase of fixed assets and purchases of trade goods from related parties. The Company does not use any special financial instruments to hedge against these risks, since no such instruments are in common use in the Republic of Albania. Therefore, the Company is potentially exposed to market risk related to possible foreign currency fluctuations.

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 summarizes the maturity profile of the Company's financial liabilities at 31 December 2011 and 2010, based on contractual undiscounted payments.

Year ended 31 December 2010 (in 000 ALL)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Long Term Borrowings	-	-	-	8.733.590	11.656.680	**20.390.270**
Short Term Borrowings	-	733.452	-	-	-	**733.452**
Trade and other Payables	-	1.885.945	-	-	-	**1.885.945**

Year ended 31 December 2011 (in 000 ALL)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Long Term Borrowings	-	-	-	8.826.990	11.670.120	**20.497.270**
Short Term Borrowings	-	751.945	1.301.325	-	-	**2.053.270**
Trade and other Payables	-	905.540	936.511	-	-	**1.842.051**

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.

19. 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 year ended 31 December 2010 and the current year 2011.

Current Ratio or Ratio of Current Assets (less prepaid expenses) to Current Liabilities, as it is defined in Shareholders and Common Terms Agreement, for 2011 is decreased to 1.61 (2010 – 2.04)

Ratio of Financial Debt to Equity, as it is defined in Shareholders and Common Terms Agreement, for 2011 is 37:63 (2010 – 32:68)

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

20. Commitments and contingencies

a) Commitments

	2011 ALL'000	2010 ALL'000
Within one Year	118.105	252.286
After one but not more than five years	321.215	375.786
More than five years	80.640	-
	519.960	**526.013**

Commitments relate are operational leases for vehicles, terminals and plots of lands used by the company in course of its business.

As at 31 December 2011 the company is commited to an operational lease contract which grants to the company land use rights against an an annual rent amounting to Euro 24 thousand. The company may terminate the contract at any time if the land will not be used. The rent period is for 30 years.

b) Taxation

As it is explained in note 4 to the financial statements, the tax authorities have not audited the Company's books and records for the fiscal year 2011 in respect of the income tax, and consequently, the Company's taxes may not be considered finalized. Additional taxes that may be levied in the event of a tax audit cannot be determined with any reasonable accuracy.

In respect of the VAT the company books have been audited till April 2011 and the amount of Lek 2.344.360 thousand has been confirmed as VAT to be reimbursed to the company from the Tax Authority. At 31 December 2011 the outstanding amount is Lek 2.399/296 thousand.

21. EBITDA

	2011 ALL'000	2010 ALL'000
Profit/loss/ from operating activities	108.448	460.431
Depreciation-Amortization	788.038	445.650
	896.486	916.081

22. Events after the balance sheet date

Promissory note in favour of one supplier expired 20 February 2012 and will not be extended any longer. Amount 17.472 USD. No other significant events have been identified after the balance sheet date that may influence the financial statements.