

CEMENTARNICA "USJE" AD SKOPJE

**FINANCIAL STATEMENTS FOR GROUP
CONSOLIDATION REPORTING PURPOSES**

For the year ended 31 December 2011



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INDEPENDENT AUDITORS' REPORT

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

We have audited the condensed financial statements for group consolidation reporting purposes of Cementarnica USJE A.D. Skopje ("the Company"), which comprise the statement of financial position as at 31 December 2011, 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.

Auditors' 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 auditors' 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.

The scope of our audit procedures was established based on the tolerable error assigned for group reporting purposes, amounting to €1,200,000 which is different from the tolerable error we would have used had we been designing the audit to express an opinion on the financial statements of the component alone.

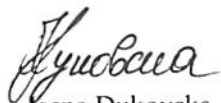
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. The conclusions reached in forming our opinion are based on the tolerable error assigned for group reporting purposes in the context of the audit of the group financial statements.

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.

Ernst & Young Certified Auditors Ltd.



Jasna Dukovska – Jegeni
Administrator



Jasna Dukovska – Jegeni
Certified Auditor



Vladimir Sokolovski
Administrator

30 January 2012, Skopje

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	2011 MKD'000	2010 MKD'000
Sales	3a	4.417.284	3.717.348
Other revenue	3b	509.975	429.042
Cost of sales	3c	(2.566.362)	(2.066.806)
Gross profit		2.360.897	2.079.584
Other operating income	3d	36.878	24.719
Other operating expenses	3e	(78.978)	(67.886)
Selling and marketing expenses	3f	(30.427)	(33.449)
Administrative expenses	3g	(104.064)	(110.741)
Depreciation and amortization	5	(275.693)	(286.603)
Operating profit		1.908.613	1.605.624
Net finance income	3h	20.424	7.991
Profit before tax		1.929.037	1.613.615
Income tax expense	4	(8.711)	(112.949)
Profit for the year		1.920.326	1.500.666
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		1.920.326	1.500.666

The accompanying notes form an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Notes	2011 MKD'000	2010 MKD'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2.118.044	2.204.137
Investment properties	6	33.008	34.404
Investment in subsidiary		157.921	157.921
Exploration and evaluation assets		23.347	13.013
		<u>2.332.320</u>	<u>2.409.475</u>
Current assets			
Inventories	7	660.905	650.700
Trade and other receivables	8	231.887	201.226
Short term loans receivables	9	1.414.615	153.750
Income tax receivable		8.954	15.220
Cash and cash equivalents	10	147.635	24.713
		<u>2.463.996</u>	<u>1.045.609</u>
TOTAL ASSETS		<u>4.796.316</u>	<u>3.455.084</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1.747.730	1.747.730
Additional paid in capital	11	(14.869)	(14.869)
Retained earnings		1.995.919	729.375
Revaluation reserves		207.829	207.829
Legal reserves		349.620	363.337
		<u>4.286.229</u>	<u>3.033.402</u>
Non-current liabilities			
Provision for retirement benefits	12	63.671	62.971
Provision for rehabilitation of quarries		14.946	16.894
		<u>78.617</u>	<u>79.865</u>
Current liabilities			
Trade and other payables	13	424.828	331.186
Current portion of retirement benefit obligations	12	6.610	8.234
Income tax payable		-	2.369
Dividend payable		32	28
		<u>431.470</u>	<u>341.817</u>
TOTAL EQUITY AND LIABILITIES		<u>4.796.316</u>	<u>3.455.084</u>

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 2011

	<i>Notes</i>	<i>2011</i> <i>MKD '000</i>	<i>2010</i> <i>MKD '000</i>
Cash flows from operating activities			
Profit before income taxes		1.929.037	1.613.615
<i>Adjustments for:</i>			
(Gain) on disposal of property, plant and equipment		(6.635)	(5.246)
Depreciation of PPE and investment properties		275.693	286.603
Actuarial gains, net		7.738	7.687
Fly ash disposed		-	21.834
Interest income		(14.008)	(13.070)
Dividend income		(8.879)	-
Interest expense and bank charges		1.925	3.658
Write off trade receivables		3.897	527
NBV of tangible assets written off		-	2.621
Other provision		1.520	8.460
Operating profit before working capital changes		2.190.288	1.926.689
(Increase) in trade and other receivables		(34.558)	(96.076)
(Increase) / Decrease in inventories		(11.725)	12.302
Increase in trade and other payables		82.940	47.094
Cash generated from operations		2.226.945	1.890.009
Interest expense and bank charges paid		(1.925)	(3.658)
Income tax paid		(4.814)	(108.874)
Net cash flows generated from operations		2.220.206	1.777.477
Cash flows from investing activities			
Purchase of property, plant and equipment		(175.173)	(147.842)
Expenditures for exploration and evaluation assets		(25.157)	(5.008)
Proceeds from sale of property, plant and equipment		8.519	6.383
Loan to associate		(1.260.865)	(153.750)
Dividend income received		8.879	-
Interest income received		14.008	13.070
Net cash flows (used in) investing activities		(1.429.789)	(287.147)
Cash flows from financing activities			
Dividends paid to group shareholders		(571.024)	(1.444.673)
Dividends paid to minority shareholders		(31.093)	(78.666)
Tax on dividend		(65.378)	(74.372)
Net cash flows (used) in financing activities		(667.495)	(1.597.711)
Net increase in cash and cash equivalents		122.922	(107.381)
Cash and cash equivalents at 1 January		24.713	132.094
Cash and cash equivalents at 31 December	10	147.635	24.713

The accompanying notes form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

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	<u>1.747.730</u>	<u>(14.869)</u>	<u>826.429</u>	<u>363.337</u>	<u>207.829</u>	<u>3.130.456</u>
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	<u>1.747.730</u>	<u>(14.869)</u>	<u>729.375</u>	<u>363.337</u>	<u>207.829</u>	<u>3.033.402</u>

For the year ended 31 December 2011

	<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 2011	<u>1.747.730</u>	<u>(14.869)</u>	<u>729.375</u>	<u>363.337</u>	<u>207.829</u>	<u>3.033.402</u>
Net profit for the year	-	-	1.920.326	-	-	1.920.326
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	1.920.326	-	-	1.920.326
Dividends Declared, net	-	-	(588.404)	(13.717)	-	(602.121)
Tax on dividend	-	-	(65.378)	-	-	(65.378)
At 31 December 2011	<u>1.747.730</u>	<u>(14.869)</u>	<u>1.995.919</u>	<u>349.620</u>	<u>207.829</u>	<u>4.286.229</u>

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 2011 was 321.

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 three subsidiaries: Cement Plus for building materials DOO - Kosovo with 65% holding, RUDMAK DOOEL export-import Skopje with 100% holding and TROJAN CEM EOOD 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 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)

The adoption of these standards and interpretations is deemed to have no impact on the financial statements or performance of the Company.

2. Summary of significant accounting policies (continued)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income 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.

IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets 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.

IAS 19, ‘Employee benefits’ was amended in June 2011. The impact on the Company will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Company is yet to assess the full impact of the amendments.

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 the amendment on the financial position or performance of the Company.

2. Summary of significant accounting policies (continued)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted (continued)

IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements 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.

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 Company is in the process of assessing the impact of the amendment on the financial position or performance of the Company.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013.

2. Summary of significant accounting policies (continued)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted (continued)

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine. The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (stripping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted. The Company is in the process of assessing the impact of the new interpretation on the financial position or performance of the Company.

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.

2. Summary of significant accounting policies (continued)

d. Property, plant and equipment (continued)

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.

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. The transfer of the inventory didn't change the cost value of the property.

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

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 recognized 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 recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

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 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 recognized 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are measured at amortized cost using the effective interest rate method (EIR). The gains and losses are recognized in the income statement in the moment when the loans and receivables are reversed or when the value is decreased due to impairment, and through the amortization process.

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 amortized cost using the effective interest method. This method use effective interest rate which accurately discounts the estimated future cash follows thought the use full life of the financial asset to net financial value of the financial asset. The gains and losses are recognized in the income statement in the moment when the investments are reversed or when the value is decreased due to impairment, and through the amortization process. The Company did not have any investments held to maternity during the period ended 31 December 2011 and the year ended 31 December 2010.

Available-for-sale financial investments

Available-for-sale financial investments are non derivative financial assets which are determinate as available for sales or aren't classified in the previous three categories. After initial measurement, available-for-sale financial investments are measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative gain or loss is reclassified to the income statement. The Company did not have any available-for-sale financial investments during the period ended 31 December 2011 and the year ended 31 December 2010.

2. Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Derecognition

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

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset 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 reorganization 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 amortized 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 recognized 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 recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(ii) Financial liabilities

Initial recognition

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 recognized 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.

2. Summary of significant accounting policies (continued)

(ii) Financial liabilities (continued)

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 that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognized 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 amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process.

Derecognition

A financial liability is derecognized 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 recognized 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 recognized amounts and there is an intention to settle on a net basis, or to realize 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.

2. Summary of significant accounting policies (continued)

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 2011 and 2010 is 10%.

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 and other distributions of profit

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.

Value added tax

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

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added 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 value added tax included.

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

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.

2. Summary of significant accounting policies (continued)

m. Employee benefits (continued)

Termination and retirement benefits

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

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

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

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 31 December 2009, included in the actuarial calculation of the defined benefits are allowances for scholarships of Company employees children attending graduate or post graduate studies and for diseased employee children that are attending secondary school. 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 recognized 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, jubilee awards, scholarships 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.

2. Summary of significant accounting policies (continued)

n. Provisions (continued)

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 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.

2. Summary of significant accounting policies (continued)

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.

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.

Fair value of financial instruments

The nominal value less estimated loss due to impairment of assets and payables with maturity less than one year is approximate their fair value.

3. Revenue and expenses

a) Sales

	<i>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
<i>Gross sales</i>		
Domestic market	3.330.329	2.441.995
Foreign market	1.086.955	1.275.353
	<u>4.417.284</u>	<u>3.717.348</u>
<i>Domestic market</i>		
Income from cement	3.146.360	2.271.904
Income from RMC	136.198	121.827
Income from White Cement	50.813	50.854
Discount	(3.042)	(2.590)
	<u>3.330.329</u>	<u>2.441.995</u>
<i>Foreign market</i>		
Income from Cement	1.071.907	1.265.094
Income from White Cement	15.764	10.360
Income from sand	247	43
Discount	(963)	(144)
	<u>1.086.955</u>	<u>1.275.353</u>

b) Other revenues

	<i>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Pet coke	426.109	305.932
Limestone	35.071	42.819
Services	27.573	26.792
Third part freight	16.551	33.410
Transport of cement - intercompany	3.458	19.096
Sand	574	605
Additives	639	388
	<u>509.975</u>	<u>429.042</u>

3. Revenue and expenses (continued)

c) Cost of sales

	<i>2011</i>	<i>2010</i>
	<i>MKD '000</i>	<i>MKD '000</i>
Kiln fuel	646.920	477.184
Cost of goods traded	403.276	305.428
Electricity	325.707	250.827
Salaries & other benefits	261.439	258.009
Raw materials	245.383	172.029
Packing expenses	193.974	168.276
Consumables	97.894	77.230
Contract labors	80.802	63.474
Other services	56.608	55.218
Spare parts	40.897	35.977
Transportation services	38.544	70.563
Change of inventories, net	39.326	8.577
Insurance premium	5.760	6.656
Other expenses	129.832	117.358
	<u>2.566.362</u>	<u>2.066.806</u>

d) Other operating income

	<i>2011</i>	<i>2010</i>
	<i>MKD '000</i>	<i>MKD '000</i>
Rent income	9.428	4.401
Capital gain	6.635	5.246
Surplus of products	5.696	15
Actuarial gains and reversals	4.593	5.009
Revenues from sold materials	2.710	4.457
Scrap	2.201	958
Revenues from sold fixed assets	1.884	-
Technical fee	1.292	1.292
Income from other services	920	406
Collected damages from insurance companies	109	1.601
Revenue from participation for H&S	-	615
Others	1.410	719
	<u>36.878</u>	<u>24.719</u>

Rent income in amount of MKD 9.428 thousand consist of rented RMC pump and silo trucks in amount of 3.219 thousand, land in amount of MKD 2.123 thousand, and business premises space together with the re-invoiced utilities in amount of MKD 4.086 thousand all to third parties.

Gain from disposed fixed assets in amount of MKD 6.635 thousand consist of sale of four vehicles, loading shovel, bulldozer caterpillar, dump truck and one RMC pump.

Surplus of products in amount of MKD 5.696 thousand relates to surplus of pozolana due to variable moisture find out during inventory count preformed as of 31 March 2011 and 31 December 2011 and surplus of gypsum during inventory count as of 31 December 2011.

3. Revenue and expenses (continued)

d) Other operating income (continued)

The actuarial gains and reversal of unused provision for employee's benefits in amount of MKD 4.593 thousand relates to changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit method.

Revenues from sold materials in amount of MKD 2.710 thousand consist of MKD 2.110 thousand related to sold refractory to related party in Kosovo, MKD 303 thousand related to fly-ash (transit) and MKD 296 related to sell of old rail tracks.

e) Other operating expenses

	<i>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Staff leaving indemnities (including VELP)	44.835	6.377
Actuarial losses and related costs for employees benefits	12.331	12.696
Provision for impairment of advance payment	3.897	527
Business premises costs	2.902	953
Promotion and advertisement	2.241	2.651
Penalties for non-fulfilment of obligations	1.901	-
Net book value of disposed and write off fixed assets	1.767	1.138
Extraordinary losses	1.632	8.107
Correction of value of stocks	1.520	8.460
Cost of sold materials	1.798	3.840
De-recognition of intangible assets	1.300	-
Withholding tax	1.274	420
Cost for compensation to clients	481	316
Shortage of goods in warehouse	-	22
Fly-ash B disposed off	-	21.834
Other	1.099	545
	<u>78.978</u>	<u>67.886</u>

Staff's leaving indemnities (including VELP) in amount of MKD 44.835 thousand consist of MKD 32.587 thousand related to restructuring activities during 2011 when 23 people voluntary leaved the Company and MKD 12.248 thousand related to 16 employees, out of total 41 employees, who have been served termination notices during 2009 and who subsequently during 2011 applied for the voluntary scheme proposed by the Company as part of the Company's activities for reduction of the number of employees.

The amount of MKD 12.331 thousand represents actuarial losses, additional finance costs and current service costs related to employees benefits which arise from experience adjustments and changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit (see Note 12).

Provision for impairment of advance payment in amount of MKD 3.897 represents aged advance payment to Opalit DOOEL Skopje.

Business premises costs in amount of MKD 2.902 thousand consist of MKD 1.812 thousand related to re-invoiced utilities from rented PPE and MKD 1.090 thousand related to water fee for the Cementarnica football club.

3. Revenue and expenses (continued)

f) Selling and marketing expenses

	<i>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Gross salaries and wages	21.771	21.962
Car expenses	3.385	3.081
Electricity, telephones, post expenses etc.	2.286	2.404
IT consultancy fees and related expenses	738	548
Promotion and advertisement	405	1.282
Travelling	182	373
Insurance	79	97
Other taxes	4	41
Legal fees	1	2
Research costs	-	1.819
Other expenses	1.576	1.840
	<u>30.427</u>	<u>33.449</u>

g) Administrative expenses

	<i>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Gross salaries and wages	37.270	40.675
Technical fee	31.107	30.567
Donations and sponsorships	5.602	4.276
Electricity, telephones, post expenses etc	3.966	4.378
Legal fees	3.378	4.081
Car expenses	2.899	2.636
PR Image	2.590	2.800
Audit fees	2.343	2.503
Other utilities	2.185	2.843
Travelling	1.934	2.801
IT consultancy fees and related expenses	1.469	1.283
Promotion and advertisement	1.421	3.035
Insurance	138	203
Other expenses	7.762	8.660
	<u>104.064</u>	<u>110.741</u>

h) Finance income, net

	<i>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Interest income	14.009	13.070
Dividend income	8.879	-
Bank charges	(1.678)	(1.806)
Interest expense	(248)	(1.853)
Net foreign exchange (losses)	(538)	(1.420)
	<u>20.424</u>	<u>7.991</u>

4. Income tax expense

The income tax expense comprises of:

	<i>2011</i> <i>MKD'000</i>	<i>2010</i> <i>MKD'000</i>
Tax on non-deductible expenses	8.711	11.132
Tax on pre dividend distribution	-	94.889
Reversal of temporary differences	-	6.928
	<u>8.711</u>	<u>112.949</u>

As of 31 December 2010, as previously explain in note 2I the tax on non-deductible expenses is as follows:

	<i>31 December</i> <i>2010</i> <i>MKD'000</i>
<i>Tax on non-deductible expenses:</i>	
Fly-ash B disposed off	2.183
Other compensations to the employees	1.413
Depreciation on land in exploitation	1.370
Actuarial provisions	1.270
Write-off based on inventory count	1.022
Entertainment	784
Penalties and WHT	592
Sponsorship	456
Scholarship	183
Other	1.859
	<u>11.132</u>

For 2011, the tax on non-deductible expenses is as follows:

	<i>31 December</i> <i>2011</i> <i>MKD'000</i>
<i>Tax on non-deductible expenses:</i>	
Other compensations to the employees	5.450
Expenses not related to the main activities	860
Sponsorship	467
Entertainment	441
Provision for bad debts	390
Penalties and WHT	342
Scholarship	137
Other	624
	<u>8.711</u>

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 2011	2.933.121	4.419.083	191.919	7.544.123
Additions	17.625	36.560	120.988	175.173
Transfers from CIP	54.450	86.846	(141.296)	-
Transfer to investment property	(11.738)	-	-	(11.738)
Disposals	-	(51.025)	-	(51.025)
Write off	(106)	(11.088)	-	(11.194)
At 31 December 2011	<u>2.993.352</u>	<u>4.480.376</u>	<u>171.611</u>	<u>7.645.339</u>
Depreciation				
At 1 January 2011	1.986.404	3.353.582	-	5.339.986
Charge for the year	38.092	221.381	-	259.473
Transfer to investment property	(11.738)	-	-	(11.738)
Disposals	-	(49.527)	-	(49.527)
Write off	(95)	(10.804)	-	(10.899)
At 31 December 2011	<u>2.012.663</u>	<u>3.514.632</u>	<u>-</u>	<u>5.527.295</u>
Net book value at 31 December 2011	<u>980.620</u>	<u>965.744</u>	<u>171.611</u>	<u>2.118.044</u>
Net book value at 1 January 2011	<u>946.717</u>	<u>1.065.501</u>	<u>191.919</u>	<u>2.204.137</u>

6. Investment property

	<i>2011 MKD'000</i>	<i>2010 MKD'000</i>
Opening balance at 1 January	34.404	35.796
Additions	-	156
Transfers from PPE, net	-	-
Less: Depreciation charge for the period	(1.396)	(1.548)
Closing balance at 31 December	<u>33.008</u>	<u>34.404</u>

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>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Spare parts and supplies	253.366	248.024
Consumable stores	184.388	162.438
Raw materials	108.239	79.931
Finished goods	55.896	56.326
Semi-finished goods	43.722	82.617
Packing materials	14.988	17.268
Goods for resale	227	104
Prepayments for inventory purchase	79	3.992
	<u>660.905</u>	<u>650.700</u>

8. Trade and other receivables

	<i>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Trade debtors domestic	79.251	96.098
Trade debtors foreign	111.426	60.297
Prepayments	4.279	6.916
Advances to suppliers	8	1.019
Other current assets	36.923	36.896
	<u>231.887</u>	<u>201.226</u>

Included in other current assets are restricted time deposits held with Stopanska Banka of MKD 14.023 thousand related to the issued guarantees for custom duties and supply of electrical energy and natural gas.

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
2011	190.677	175.161	11.650	3.866			
2010	156.395	154.048	1.876	471	-	-	-

9. Short term loans receivable

On 06 December 2011, the Company concluded a Credit Facility Agreement with TITAN Global Finance PLC ("the Borrower") representing revolving credit line agreement with a limit of EUR 30.000 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 2,70 per cent p.a..

As of 31 December 2011, only the Company allows loan in amount of MKD 1.414.615 thousand i.e. EUR 23.000 thousand for the period from 15 December 2011 up to 16 February 2012.

10. Cash and cash receivables

	<i>2011</i> <i>MKD'000</i>	<i>2010</i> <i>MKD'000</i>
Bank deposits	135.827	-
Cash at bank	11.779	24.690
Cash at hand	29	23
	<u>147.635</u>	<u>24.713</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 2011 and 31 December 2010		<u>1.732.861</u>

11. Share capital (continued)

Dividends paid and proposed

MKD'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:

853.996

Declared and paid during the period ended 31 December 2011

Final dividend for 2010:

MKD 1.068,00 per share

Declared:

602.121

Paid:

602.117

Dividends declared and paid for the year ended 31 December 2011 and year ended 31 December 2010 entirely relate to cash dividends on ordinary shares.

12. Provision for retirement benefits

	<i>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Defined retirement benefit obligations	24.323	24.422
Defined jubilee anniversary award obligations	22.960	23.297
Defined scholarship obligations	22.998	23.486
	<u>70.281</u>	<u>71.205</u>
<i>Analyzed as:</i>		
Non-current portion	63.671	62.971
Current portion	6.610	8.234
	<u>70.281</u>	<u>71.205</u>

12. Provision for retirement benefits (continued)

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

	2011 MKD'000	2010 MKD'000
At 1 January	71.205	71.859
Current service costs	6.675	7.454
Interest cost	3.717	4.363
Recognised actuarial (gains)/losses, net	505	(1.480)
	<u>82.102</u>	<u>82.196</u>
Benefits paid during the year	(8.662)	(8.341)
(Gains)/losses, net, from reconciling the actuarial calculation	428	-
Unused provision reversed	(3.587)	(2.650)
At 31 December	<u>70.281</u>	<u>71.205</u>

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

	2011 MKD'000	2010 MKD'000
Current service costs	6.675	7.454
Interest cost	3.717	4.363
Recognised actuarial (gains)/losses, net	505	(1.480)
(Gains)/losses, net, from reconciling the actuarial calculation	428	-
	<u>11.325</u>	<u>10.337</u>

The principal actuarial assumptions used in 2011 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) 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 of the died 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 50% will registered at a university in 2012, i.e. 40% in the next periods.

The used financial assumptions were as follows:

Nominal annual increase of the average republic net salary: 4,5%;
 Discount rate: 5,5%

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

	2011 MKD'000	2010 MKD'000
Trade creditors domestic	213.738	163.441
Trade creditors foreign	115.235	34.311
Tangible assets creditors	45.902	48.364
Customer prepayments	29.823	61.186
Other current liabilities	20.130	23.884
	<u>424.828</u>	<u>331.186</u>

14. Contingences and Commitments

Contingent liabilities

	2011 MKD'000	2010 MKD'000
Bank guarantees	14.023	21.133
Performance guarantees	2.140	2.170
Tender guarantees	-	3.194
	<u>16.163</u>	<u>26.497</u>

As of 31 December 2011 the Company has obtained a Bank payment guaranties from Stopanska Banka in favour of Customs of MKD 5.043 thousand valid till 19 March 2012, in favour of MEPSO AD Macedonia of MKD 3.936 thousand for transmission of electricity valid till 15 February 2012 and in favour of Makpetrol AD Skopje of MKD 5.043 thousand related to the purchase of natural gas valid till 15 February 2012.

In addition, the Company has obtained bank payment guarantees from Alpha Bank in total of MKD 2.140 thousand in favour of the Ministry of Economy for realisation of concession agreements.

Commitments

Operating lease commitments - company as lessee

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

	2011 MKD'000	2010 MKD'000
Up to 1 year	5.312	4.010
Later than 1 year and not later than 5 years	10.519	3.116
	<u>15.831</u>	<u>7.126</u>

Purchase commitments

As at 31 December 2011, the Company has entered into contract for the purchase of electricity for 2012. The commitment undertaken for the whole 2012 will be approximately in amount to MKD 335.841 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>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Cement Plus Ltd - cement, usjepor and white cement	1.069.731	1.233.779
SHARRCEM SH.P.K-Pet Coke	412.254	305.753
Trojan Cem EOOD Sofija - cement	12.791	8.035
Cement Plus Ltd - Freight revenue	3.458	19.096
Titan Global Finance PLC London- Interest Income	3.210	367
SHARR Beteiligungs Gmbh-Fly Ash, refractory	1.586	3.895
Antea Cement SHA - grey cement	852	22.433
Cement Plus Ltd - technical fee	1.292	1.292
SHARR Beteiligungs Pretstavnistvo Skopje - services	270	-
	<u>1.505.444</u>	<u>1.594.650</u>

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

Receivables from related parties

	<i>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Titan Global Finance-short term loan	1.414.615	153.750
SHARRCEM SH.P.K -Fly Ash-Pet Coke	96.222	59.006
Cement Plus Ltd - cement and white cement	4.426	-
Trojan Cem EOOD SOFIJA - grey cement	3.512	-
Titan Global Finance-interest	2.312	94
Cement Plus Ltd - technical fee	1.227	1.292
	<u>1.522.314</u>	<u>214.142</u>

b) Purchases of goods and services

	<i>2011</i>	<i>2010</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Titan Cement Company - white cement and pet coke	896.725	592.558
Balkcem Limited - technical fee	31.107	30.567
Titan Cement Company - purchased clinker	16.478	2.566
Titan Zlatna Panega - grinding media	2.535	2.637
Titan Zlatna Panega - grey cement	2.304	329
SHARRCEM SH.P.K - grey cement	1.814	127
SHARRCEM SH.P K- pallets	98	-
Titan Cement Company – services	18	-
	<u>951.079</u>	<u>628.784</u>

15. Related party transactions (continued)

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

Payables to related parties

	<i>2011</i>	<i>2010</i>
	<i>MKD '000</i>	<i>MKD '000</i>
Titan Cement Company - white cement and pet coke	66.076	15.017
Balkcem Limited - technical fee	6.370	9.179
Titan Cement Company - construction in progress	1.876	-
Titan Zlatna Panega - grey cement	104	105
Beni Suf Cement Co - services	110	-
SHARR CEM SH.P.K-Cement	-	127
Cement Plus Ltd. - prepayments	-	27.982
	<u>74.536</u>	<u>52.410</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, 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 2011 and 31 December 2010 based on contractual undiscounted payments.

16. Financial risk management objectives and policies (continued)

c) Liquidity risk (continued)

Year ended 31 December 2011

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	300.337	-	-	-	300.337
Other payables	-	49.953	-	-	-	49.953
Payables to related parties	-	74.538	-	-	-	74538

Year ended 31 December 2010

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

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 2011 and 31 December 2010.

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

	2011	2010
	MKD'000	MKD'000
EBITDA	<u>2.184.306</u>	<u>1.892.227</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 2011

Supplementary information concerning the calculation of EBITDA

		<i>2011</i>
		<i>MKD '000</i>
Sales		4.417.284
Other revenue		509.975
Cost of sales		<u>(2.566.362)</u>
Gross profit		2.360.897
Other operating income		36.878
Other operating expenses		(78.978)
Selling and marketing expenses		(30.427)
Administrative expenses		(104.064)
Depreciation and amortization		<u>(275.693)</u>
Operating profit	EBIT	<u>1.908.613</u>
Net finance income		<u>20.424</u>
Profit before tax	EBT	1.929.037
Income tax expenses		(8.711)
Net profit for the year		<u>1.920.326</u>
Other comprehensive income		-
Total comprehensive income for the period		<u>1.920.326</u>
EBIT		
Depreciation and amortisation		(275.693)
EBITDA		2.184.306