



**TITAN**  
CEMENTARA KOSJERİĆ

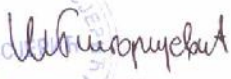
**“TITAN CEMENTARA KOSJERIC” DOO  
FINANCIAL STATEMENTS  
FOR THE GROUP CONSOLIDATION PURPOSES  
FOR THE YEAR ENDED 31 DECEMBER 2011**

TITAN CEMENTARA KOSJERIC DOO  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011  
PREPARED FOR THE GROUP CONSOLIDATION PURPOSES

---

CONTENTS	Pages
Audit report	1-2
Financial statements	3-7
Notes to the financial statements	8-28

Member of the Board of Directors-Authorized representative  
Mr Miroslav Gligorijević



**Registered office**

Titan Cementara Kosjerić doo  
Zivojina Misica bb  
31260 Kosjerić  
Republic of Serbia

**Auditor**

Ernst & Young d.o.o. Beograd  
Bulevar Mihajla Pupina 115d  
11 000 Beograd  
Republic of Serbia

**AUDIT REPORT TO THE BOARD OF DIRECTORS OF  
TITAN CEMENTARA KOSJERIC D.O.O. KOSJERIC**

We have audited the condensed special purpose financial statements for group consolidation reporting purposes of Titan Cementara Kosjeric d.o.o. Kosjeric ("the Company"), which comprise the balance sheet as at 31 December 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes prepared for the sole purpose of consolidation into the Titan Cement Company S.A. consolidated financial statements, which are prepared in accordance with IFRS.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these condensed special purpose financial statements in accordance with Titan Group accounting policies, 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 in the following paragraph, 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The scope of our audit procedures was established based on the tolerable error assigned for group reporting purposes.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, based on the assigned tolerable error and for the sole purpose of inclusion in the consolidation of Titan Cement Company S.A., the condensed special purpose financial statements referred to above give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with Titan Group accounting policies, which are based on International Financial Reporting Standards.

**Restriction on use**

The accompanying condensed special purpose financial statements are intended solely to assist the Parent Company in preparation of consolidated financial statements. As a result, they may not be suitable for any other purpose. Our report is intended solely for the use of the Company and the ultimate Parent Company and should not be used for any other purpose or by parties other than these specified parties.

Belgrade, 30 January 2012

*Ernst & Young Beograd*

Ernst & Young Beograd d.o.o.



**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**Income Statement**

	Notes	For 12 months period ended 31-Dec-11	For 12 months period ended 31-Dec-10
Sales	3	4,222,546	4,608,786
Cost of sales	4	(2,485,505)	(2,395,309)
<b>Gross profit</b>		<b>1,737,041</b>	<b>2,213,477</b>
Other operating income	5	98,281	112,701
Selling expenses	6	(31,481)	(30,290)
Administrative expenses	7	(227,372)	(229,497)
Other operating expenses	5	(86,260)	(122,852)
<b>Profit from operating activities</b>		<b>1,490,209</b>	<b>1,943,539</b>
Finance income/(expenses), net	8	8,273	43,760
<b>Profit before taxation</b>		<b>1,498,482</b>	<b>1,987,299</b>
Taxation	9	(146,738)	(181,003)
<b>Profit for the year</b>		<b>1,351,744</b>	<b>1,806,296</b>

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

---

(all amounts are stated in 000' RSD unless otherwise stated)

**Statement of comprehensive income**

	<b>For 12 months period ended 31-Dec-11</b>	<b>For 12 months period ended 31-Dec-10</b>
<b>Profit for the year</b>	1,351,744	1,806,296
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>1,351,744</b>	<b>1,806,296</b>

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000\* RSD unless otherwise stated)

**Balance sheet**

	Notes	As at 31 December 2011	As at 31 December 2010
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	2,300,201	2,220,090
Construction in progress	10	98,414	203,137
Intangible Assets	11	14,770	25,099
Investment in subsidiary	12	1,659,878	1,659,878
Deferred tax assets	9	3,153	4,895
		<b>4,076,416</b>	<b>4,113,099</b>
<b>Current assets</b>			
Inventories	13	534,164	564,552
Trade receivables	14	222,119	196,947
Advances to suppliers for fixed assets	15	-	109,809
Other receivables	15	69,758	73,978
Cash and cash equivalents	16	248,773	172,757
		<b>1,074,814</b>	<b>1,118,043</b>
<b>Total assets</b>		<b>5,151,230</b>	<b>5,231,142</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Shares	17	2,505,209	2,505,209
Reserves		166,474	166,474
Retained earnings/(losses)		780,259	328,963
Current period result		1,351,744	1,806,296
		<b>4,803,686</b>	<b>4,806,942</b>
<b>Non-current liabilities</b>			
Other non current liabilities	18	88,186	96,187
<b>Current liabilities</b>			
Trade and other payables	19	259,358	328,013
<b>Total Liabilities</b>		<b>347,544</b>	<b>424,200</b>
<b>Total equity and liabilities</b>		<b>5,151,230</b>	<b>5,231,142</b>

The financial statements on pages 3 to 28 were signed on its behalf by:

Mr Miroslav Gligorijević

  
 Member of the Board of Directors-Authorized representative

  
 Slavica Vukosavljević  
 Finance Director

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**Statement of Changes in Equity**

	<b>Ordinary shares</b>	<b>Reserve</b>	<b>Retained earnings</b>	<b>Current period result</b>	<b>Total</b>
<b>Balance at 1 January 2010</b>	<b>2,505,209</b>	<b>166,474</b>	<b>306,026</b>	<b>1,822,937</b>	<b>4,800,646</b>
Profit for the period	-	-	-	1,806,296	1,806,296
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>					
Transfer to retained earnings	-	-	1,822,937	(1,822,937)	-
Dividends distribution	-	-	(1,800,000)	-	(1,800,000)
<b>Balance at 31 December 2010</b>	<b>2,505,209</b>	<b>166,474</b>	<b>328,963</b>	<b>1,806,296</b>	<b>4,806,942</b>
Profit for the period	-	-	-	1,351,744	1,351,744
Other comprehensive income					
<b>Total comprehensive income</b>					
Transfer to retained earnings	-	-	1,806,296	(1,806,296)	-
Dividends distribution	-	-	(1,355,000)	-	(1,355,000)
<b>Balance at 31 December 2011</b>	<b>2,505,209</b>	<b>166,474</b>	<b>780,259</b>	<b>1,351,744</b>	<b>4,803,686</b>



**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**Cash Flow Statement**

	Notes	For 12 months period ended 31-Dec-11	For 12 months period ended 31-Dec-10
<i>Cash flows from operating activities</i>			
Profit after taxation		1,351,744	1,806,296
Adjustments for:			
Tax	9	146,738	181,003
Depreciation expense	10	195,007	197,426
Interest income	8	(10,696)	(17,270)
Interest expenses		3,739	747
(Gain) / Loss on sale of property, plant and equipment		(801)	
Loss on disposals of fixed assets	10	226	100
Effects of exchange rate changes	8	(1,314)	(27,237)
<b>Operating cash flows before working capital Changes</b>		<b>1,684,643</b>	<b>2,141,065</b>
Changes:			
(Increase)/decrease in trade and other Receivables		(20,952)	(97,455)
(Increase)/decrease in inventory		30,388	(17,649)
Increase/(decrease) in trade and other payables		(77,659)	25,571
Decrease in other long term assets		-	-
<b>Cash generated from operations</b>		<b>1,616,420</b>	<b>2,051,532</b>
Interest paid	8	(3,739)	(747)
Tax paid		(143,958)	(134,136)
<b>Net cash from operating activities</b>		<b>1,468,723</b>	<b>1,916,649</b>
<i>Cash flows from investing activities</i>			
Acquisition of subsidiary	12		
Purchase of property, plant and equipment	10	(49,894)	(123,355)
Purchase of intangible assets	11	(1,099)	-
Interest received		10,696	17,270
Proceeds from sale of property, plant and Equipment		1,311	-
<b>Net cash used in investing activities</b>		<b>(38,986)</b>	<b>(106,085)</b>
<i>Cash flows from financing activities</i>			
Proceeds from borrowings		145,712	135,500
Repayment of borrowings		(145,712)	(135,500)
Dividends paid		(1,355,035)	(1,800,000)
<b>Net cash from financing activities</b>		<b>(1,355,035)</b>	<b>(1,800,000)</b>
Effects of exchange rate changes		1,314	27,237
<b>Net increase/(decrease) in cash</b>		<b>76,016</b>	<b>37,801</b>
<b>Cash at the beginning of period</b>	16	<b>172,757</b>	<b>134,956</b>
<b>Cash at the end of period</b>	16	<b>248,773</b>	<b>172,757</b>

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

---

(all amounts are stated in 000' RSD unless otherwise stated)

## **1 General information**

Titan Cementara Kosjeric d.o.o. (the Company) is a limited liability company, domiciled in Kosjeric, Republic of Serbia. The address of its registered office is as follows: Zivojina Misica bb, 31 260 Kosjeric

The Company was founded in 1975. 70% of the shares of the Company were acquired by Titan Group (the Group) domiciled in Greece, Athens and represented by Tithys Ltd, Cyprus. The purchase agreement was signed on 31 January 2002 with the Serbian Privatization Agency and followed by a transfer of control on 2 April 2002.

In December 2004, the Company's owner purchased additional 4.28% of remaining shares in ownership of employees for which it was entitled by the SPA. In November 2008 the owner purchased total state share package registered in the Privatization Register and increased its participation by 22.07%. Finally in April 2009, Tithys Limited bought the remaining shares from minority shareholders, and became owner of 100% of the Company's shares.

Until November 2009, the Company was operating as a joint stock company. In November 2009 the Company changed its legal form from Joint Stock Company to Limited Liability Company, and, consequently, delisted from Belgrade Stock Exchange. Subsequently, ownership was transferred from Tithys Ltd, Cyprus to AEAS Ltd, Netherland.

The principal activity of the Company is the production of cement. In addition, the Company provides cement transportation services.

The Company employed 323 people as at 31 December 2011.

## **2 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.

### **Basis of preparation**

The financial statements have been prepared on a historical cost basis. The presentation currency is Dinar (RSD) being also the functional currency and all values are rounded to the nearest thousand (000 RSD) except when otherwise indicated.

The financial statements have been prepared in accordance with 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.

### **Property, plant and equipment**

Property plant and equipment are carried at cost, less accumulated depreciation and impairment in value if any. Land, except quarry land, is shown at cost less impairment if any.

Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

Depreciation is calculated on the straight-line method intended to write off the cost of each asset to their residual values over the estimated useful life.

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

---

(all amounts are stated in 000' RSD unless otherwise stated)

## **2 Accounting policies (continued)**

Depreciation rates are set as follows:

	%
Quarry land	1.57-4.37
Buildings (including raw mill and electricity transmission and pipelines)	2-5
Marl crusher	16.5
Plant machinery	10
Rotary kiln	7
Vehicles	15
Furniture	10-12.5

Subsequent expenditure relating to property, plant and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company.

Repairs and renewals are charged directly to the income statement when the expenditure is incurred.

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

At each reporting date the management assess whether there is any indication of impairment of property plant and equipment. If any such indication exists the management estimates the recoverable amount, which is determined as the higher of an asset's net selling price and its value in use. The carrying amount is reduced to the recoverable amount and the difference is recognized as an expense (impairment loss) in the Income Statement. An impairment loss recognized for an asset in prior years is reversed if there have been the circumstances that led to the impairment.

### **Investments in subsidiaries**

Investments in subsidiaries are accounted at cost.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

Appropriate allowance is made for damaged, obsolete and slow-moving items. Write-downs to net realizable value and inventory losses are expensed in the period in which they occur.

### **Trade receivables**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original term of receivables. 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 and is recognized in the Income statement.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, cash at banks and short-term deposits with an original maturity of three months and less.

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

---

(all amounts are stated in 000' RSD unless otherwise stated)

## **2. Accounting policies (continued)**

### **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and if a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### **Employee benefits**

The Company provides to its employees staff leaving indemnities on retirement and jubilee awards, which fall into the category of other long-term benefits. The benefits for staff leaving indemnities on retirement are unfunded. The cost of providing these benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense immediately. The past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately. The defined benefit liability comprises the present value of the defined benefit obligation, less past service cost and actuarial losses, plus actuarial gains not yet recognized.

### **Revenue recognition**

Revenue, which excludes value added tax (V.A.T.) and discounts, represents the invoiced value of goods and services supplied and is recognized usually when significant risks and rewards and ownership of the goods are transferred to the buyer at the date on which the goods are shipped to customers.

### **Taxation**

Current income tax is calculated at the rate of 10% on taxable profit reported in tax returns.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax basis of assets and liabilities and their carrying values for financial reporting purposes. A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

### **Foreign currency transactions**

The Company's functional currency is the RSD. Transactions denominated in a currency other than the RSD are recorded at the exchange rate ruling on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into RSD at the official exchange rate of the National Bank of Serbia at the balance sheet date. Foreign currency exchange differences arising from the translation of assets and liabilities and from the settlement of transactions are reflected in the income statement as foreign exchange gain/(loss).

At 31 December 2011, the official rate of exchange, as determined by the Central Bank of Serbia, was EURO 1=RSD 104,6409 and as at 31 December 2010 EURO 1= RSD 105,4982. Exchange restrictions and controls exist relating to converting the RSD into other currencies.

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

---

(all amounts are stated in 000' RSD unless otherwise stated)

**3 Sales**

	<b>For 12 months period ended 31-Dec-11</b>	<b>For 12 months period ended 31-Dec-10</b>
Sales revenue cement	4,222,546	4,589,263
Sales revenue clinker	-	19,523
<b>Total</b>	<b>4,222,546</b>	<b>4,608,786</b>

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**4 Cost of sales**

	<b>For 12 months period ended 31-Dec-11</b>	<b>For 12 months period ended 31-Dec-10</b>
<b>Variable</b>		
Kiln fuel	613,848	517,266
Raw material	156,945	125,982
Electricity power	213,075	198,174
Fuel and oil	51,796	51,927
Refractory	17,971	34,529
Grinding media	5,236	5,251
Explosives	638	9,775
Concession fees	7,322	8,792
Other variable costs	4,117	5,801
<b>Total variable cost</b>	<b>1,070,948</b>	<b>957,497</b>
<b>Fixed</b>		
Salaries	374,194	375,167
Maintenance spare parts	57,462	56,268
Third parties services	51,761	42,696
Lining	2,529	1,104
Insurance and taxes	36,455	51,106
Other fixed costs	56,724	68,663
<b>Total fixed cost</b>	<b>579,125</b>	<b>595,004</b>
<b>Packing</b>		
Salaries	56,157	54,574
Bags	62,387	72,467
Pallets and folio	58,602	76,559
Electricity power	2,448	2,628
Fuel and oil	1,399	1,273
Maintenance spare parts	9,297	9,713
Third parties maintenance	1,595	3,364
Insurance	508	538
Other expenses	6,013	9,967
<b>Total packing cost</b>	<b>198,406</b>	<b>231,083</b>
<b>Inventory (Increase)/Decrease</b>	<b>26,315</b>	<b>(13,702)</b>
<b>Depreciation</b>	<b>168,254</b>	<b>169,269</b>
<b>Distribution Expenses</b>		
Third parties services transportation	426,091	438,175
Custom and related expenses	5,557	10,680
Other	1,533	85
<b>Total distribution costs</b>	<b>433,181</b>	<b>448,940</b>
<b>Cost of Trading Goods</b>	<b>9,276</b>	<b>7,218</b>
<b>Total Cost of Sales</b>	<b>2,485,505</b>	<b>2,395,309</b>

Cost of trading goods refers to the resale of white cement purchased from Titan Cement Company S.A. Third parties services- transportation relate to transportation services for goods sold.

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**5 Other operating income and expenses**

	<b>For 12 months period ended 30-Dec-10</b>	<b>For 12 months period ended 31-Dec-10</b>
Revenue from sales of material	66,914	92,235
Collection of the receivables for which provision was made	8,050	1,187
Revenue from other operating activities	413	1,474
Profit on sales of fixed assets	801	-
Other income	22,103	17,805
<b>Total other operating income</b>	<b>98,281</b>	<b>112,701</b>
Expenses from hotel, restaurant and bakery	-	-
Salaries	14,680	18,711
Depreciation	11,548	11,557
Impairment of accounts receivable	1,677	7,875
Provision for rehabilitation of quarries	-	532
Other provisions	6,417	10,495
Other expenses	51,938	73,682
<b>Total other operating expenses</b>	<b>86,260</b>	<b>122,852</b>

**6 Selling expenses**

	<b>For 12 months period ended 31-Dec-11</b>	<b>For 12 months period ended 31-Dec-10</b>
Salaries	24,207	22,301
Travelling expenses & Car Expenses	3,507	3,141
Other	3,137	4,121
Depreciation	630	727
	<b>31,481</b>	<b>30,290</b>

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**7 Administrative expenses**

	<b>For 12 months period ended 31-Dec-11</b>	<b>For 12 months period ended 31-Dec-10</b>
Administrative and technical assistance fees – see Note 20	14,888	15,524
Salaries	101,466	100,616
Donation to Municipality –see Note 18	4,716	9,405
Donations	12,401	12,247
Communication	4,285	4,734
Consulting services	7,034	8,624
Legal and court fees	4,932	5,160
Entertainment	5,727	8,231
Car expenses	9,431	8,731
Business trip	3,649	4,095
Training and education	3,352	1,757
Other costs	40,916	34,500
Depreciation	14,575	15,873
	<b>227,372</b>	<b>229,497</b>

Administrative and technical assistance fees relate to the contract signed on 15 December 2003 between Tithys Limited, Cyprus, and the Company for the period of five years starting on 2 April 2002. This contract is to be renewed for an additional 5 years period, unless one of the contracted parties notifies the other, in writing, for non renewal of the contract three months prior to its expiration. According to the contract Tithys Limited, Cyprus will provide to the Company administrative and general technical assistance (commercial, human resources, financial, training etc), as well as provide the Company with technical expertise of the Titan Group.

**8 Finance income and expenses**

	<b>For 12 months period ended 31-Dec-11</b>	<b>For 12 months period ended 31-Dec-10</b>
Bank interest and related income	10,696	17,270
Interest expenses	(3,739)	(747)
Foreign exchange gain	40,644	54,929
Foreign exchange loss	(39,328)	(27,692)
	<b>8,273</b>	<b>43,760</b>



**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**9 Taxation**

	<b>For 12 months period ended 31-Dec-11</b>	<b>For 12 months period ended 31-Dec-10</b>
Current Income Tax	143,958	134,136
Deferred income tax expense / (income)	2,780	46,867
	<b>146,738</b>	<b>181,003</b>

The tax on the Company's profit before tax differs from theoretical amounts that would arise using the basic tax rate of 10% as follows:

	<b>For 12 months period ended 31 Dec 2011</b>	<b>For 12 months period ended 31 Dec 2010</b>
<b>Accounting profit for the 12 months period ended 31 December</b>	<b>1,498,482</b>	<b>1,987,299</b>
<i>Add back:</i>		
Accounting depreciation	195,006	197,426
Provisions	2,683	7,778
Non business expenses	14,558	7,979
Penalties and capital loss	580	887
Write off of assets	3,678	4,077
Impact of transfer pricing	15,048	5,940
Retirement Benefits calculated but not paid in the tax period for which it filed tax statement	3,734	2,570
Other	5,371	3,051
<i>Less:</i>		
Depreciation for tax purposes	(206,949)	(216,441)
Taxes calculated in the previous and paid in the tax period for which it filed tax statement	(2,742)	
Retirement Benefits calculated in the previous and paid in the tax period for which it filed tax statement	(2,340)	(3,447)
<b>Tax basis</b>	<b>1,527,109</b>	<b>1,997,119</b>
<b>Tax at 10%</b>	<b>152,710</b>	<b>199,712</b>
<b>tax relief for investments in fixed assets</b>	<b>8,752</b>	<b>65,576</b>
<b>Current income tax</b>	<b>143,958</b>	<b>134,136</b>

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**9. Taxation (continued)**

Deferred income tax relates to the following:

	<i>Income statement</i>		<i>Balance sheet</i>	
	<i>Jan-Dec 2011</i>	<i>Jan-Dec 2010</i>	<i>31 December 2011</i>	<i>31 December 2010</i>
<b>Deferred tax assets/liabilities</b>				
Tax credits for investments in property, plant and equipment		47,827	-	-
Temporary differences between carrying amount of property, plant and equipment and their tax base	2,940	2,033	(1,038)	1,902
Temporary differences between carrying amount of provisions for termination benefits and their tax base	(140)	(2,719)	2,859	2,719
Temporary differences between carrying amount of unpaid tax liabilities and their tax base	(20)	(274)	294	274
<b>Deferred tax liabilities, total</b>			<b>(1,038)</b>	
<b>Deferred tax assets, total</b>			<b>3,153</b>	<b>4,895</b>
<b>Deferred income tax expense/( income)</b>	<b>2,780</b>	<b>46,867</b>		

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**10 Property, plant and equipment**

	Land	Quarry land	Buildings	Machinery and equipment	Vehicles	Sub total	Construction in progress	Total
<b>Cost</b>								
<b>At 31 December 2010</b>	<b>50,688</b>	<b>133,121</b>	<b>2,358,463</b>	<b>3,156,521</b>	<b>302,804</b>	<b>6,001,597</b>	<b>203,137</b>	<b>6,204,734</b>
Additions during the period			9,301	33,353	3,050	<b>45,704</b>	4,190	<b>49,894</b>
Reclassification from/to another category	727		60,068	48,118		<b>108,913</b>	(108,913)	-
Transfer from advances to suppliers for fixed assets	15,944		93,865			<b>109,809</b>		<b>109,809</b>
Sales / write off during period			(940)	(9,629)		<b>(10,569)</b>	-	<b>(10,569)</b>
<b>At 31 December 2011</b>	<b>67,359</b>	<b>133,121</b>	<b>2,520,757</b>	<b>3,228,363</b>	<b>305,854</b>	<b>6,255,454</b>	<b>98,414</b>	<b>6,353,868</b>
<b>Accumulated depreciation/depletion</b>								
<b>At 31 December 2010</b>	-	15,238	1,225,557	2,270,109	270,603	3,781,507	-	3,781,507
Charge for the period		4,013	62,994	109,442	7,130	<b>183,579</b>	-	<b>183,579</b>
Sales/ write off during period			(430)	(9,403)	-	<b>(9,833)</b>	-	<b>(9,833)</b>
<b>At 31 December 2011</b>	-	19,251	1,288,121	2,370,148	277,733	3,955,253	-	3,955,253
<b>Net book value</b>								
<b>At 31 December 2011</b>	<b>67,359</b>	<b>113,870</b>	<b>1,232,636</b>	<b>858,215</b>	<b>28,121</b>	<b>2,300,201</b>	<b>98,414</b>	<b>2,398,615</b>
<b>At 31 December 2010</b>	<b>50,688</b>	<b>117,883</b>	<b>1,132,906</b>	<b>886,412</b>	<b>32,201</b>	<b>2,220,090</b>	<b>203,137</b>	<b>2,423,227</b>

Construction in progress includes strategic spare parts amounting to RSD 94,571 thousand, that were capitalized in accordance with the Group accounting policies.

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**11 Intangible Assets**

	<b>Computer Software</b>	<b>Total</b>
<b>Cost</b>		
<b>At 31 December 2010</b>	<b>57,110</b>	<b>57,110</b>
Additions during the period	1,099	1,099
<b>At 31 December 2011</b>	<b>58,209</b>	<b>58,209</b>
<b>Accumulated amortization</b>		
<b>At 31 December 2010</b>	<b>32,011</b>	<b>32,011</b>
Charge for the period	11,428	11,428
<b>At 31 December 2011</b>	<b>43,439</b>	<b>43,439</b>
<b>Net book value</b>		
<b>At 31 December 2011</b>	<b>14,770</b>	<b>14,770</b>
<b>At 31 December 2010</b>	<b>25,099</b>	<b>25,099</b>

Computer software is related to licenses for the SAP ERP Package that the Company applied from January 2008.

**12 Investment in subsidiary**

The Company has 100% ownership in its subsidiaries, both limited liability companies. Subsidiary TCK Montenegro d.o.o. Podgorica is dealing with sales of cement in the Republic of Montenegro. Subsidiary Holtitan B.V. Nederland does not have operation but holds minority interest in company Titan Cement Netherland B.V.

<b>Subsidiary</b>	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
TCK Montenegro	7,966	7,966
Holtitan B.V. Netherland	1,651,912	1,651,912
<b>Total</b>	<b>1,659,878</b>	<b>1,659,878</b>

**13 Inventories**

	<b>As at 31 December 2011</b>	<b>As at 31 December 2010</b>
Material and fuel	121,757	129,063
Spare parts and other inventory	321,327	316,272
Packing materials	7,992	9,733
Work in progress	36,749	63,857
Finished products	46,054	45,262
Goods for resale	285	365
	<b>534,164</b>	<b>564,552</b>

Major portion of material and fuel as at 31 December 2011 amounting to RSD 36,723 thousand, RSD 25,144 and RSD 7,485 thousand relates to steam coal, petrol coke and crude oil, respectively.

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**14 Trade receivables**

	<b>As at 31 December 2011</b>	<b>As at 31 December 2010</b>
Trade receivables	102,639	73,019
Trade receivables from related parties (Note 20)	143,855	154,695
Provision for impairment of receivables	(24,375)	(30,767)
	<b>222,119</b>	<b>196,947</b>

Movements in the provision for impairment of receivables were as follows:

	<b>Provision for impairment of trade receivables</b>
At 1 January 2010	<b>24,389</b>
Charge for the year	7,565
Unused amounts reversed	-
Utilised	(1,187)
<b>At 31 December 2010</b>	<b>30,767</b>
At 1 January 2011	<b>30,767</b>
Charge for the year	1,632
Unused amounts reversed	(323)
Utilised during the year	(7,701)
<b>At 31 December 2011</b>	<b>24,375</b>

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

<b>Year ended 31 December 2011</b>		<b>Past due but not impaired</b>				
Description	Total	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	43,002	27,722	11,881	2,971	428	-
Trade receivables-related parties	109,860	50,468	59,392	-	-	-
<b>Total</b>	<b>152,862</b>	<b>78,190</b>	<b>71,273</b>	<b>2,971</b>	<b>428</b>	<b>-</b>
<b>Year ended 31 December 2010</b>		<b>Past due but not impaired</b>				
Trade receivables	23,920	16,781	2,173	4,646	320	-
Trade receivables-related parties	118,425	64,485	53,940	-	-	-
<b>Total</b>	<b>142,345</b>	<b>81,266</b>	<b>56,113</b>	<b>4,646</b>	<b>320</b>	<b>-</b>

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

<b>15. Other receivables</b>	<b>As at 31 December 2011</b>	<b>As at 31 December 2010</b>
Advances to suppliers for current assets	1,639	6,297
Advances to suppliers for non-current assets	-	2,567
Advances to related parties (Note 20)	-	107,242
Other receivables form related parties (Note 20)	12,639	10,651
Receivables from employees	228	14,266
Accrued expenses	12,935	10,924
Receivables for funds lent to firms	1,381	1,488
Receivables for rent	148	1,395
Receivables for sales of property, plant and equipment	1,309	22,658
VAT receivable	-	-
Other receivables from the State	39,989	9,574
Other receivables	5,387	3,219
<b>Other receivables, gross</b>	<b>75,655</b>	<b>190,281</b>
Provision for advances to suppliers	(2,095)	(2,095)
Provision for receivables for funds lent to firms	(1,381)	(1,488)
Provision for receivables for sales of P,P&E and rent	(124)	(197)
Provision for receivables for employees	(48)	(48)
Provision for other receivables	(2,249)	(2,666)
<b>Other receivables, net</b>	<b>69,758</b>	<b>183,787</b>

As at 31 December 2011, other receivables at nominal value of RSD 5,897 thousand (2010: RSD 6,494 thousand) were provided for impairment. Movements in the provision for impairment of these receivables were as follows:

	Provision for impairment of prepayments for inventory	Provision for impairment of receivables for funds lent to firms	Provision for receivables for Fixed Assets Sales and rent	Provision for receivables for employee	Provision for impairment of other receivables
<b>At 1 January 2010</b>	<b>2,095</b>	<b>1,517</b>	<b>312</b>	<b>30</b>	<b>2,538</b>
Charge for the year	-	-	-	18	292
Unused amounts reversed	-	(29)	(115)	-	(164)
<b>At 31 December 2010</b>	<b>2,095</b>	<b>1,488</b>	<b>197</b>	<b>48</b>	<b>2,666</b>
<b>At 1 January 2011</b>	<b>2,095</b>	<b>1,488</b>	<b>197</b>	<b>48</b>	<b>2,666</b>
Charge for the year	-	-	-	-	-
Unused amounts reversed	-	(107)	(73)	-	(417)
<b>At 31 December 2011</b>	<b>2,095</b>	<b>1,381</b>	<b>124</b>	<b>48</b>	<b>2,249</b>

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

---

(all amounts are stated in 000' RSD unless otherwise stated)

**16 Cash and cash equivalents**

	<b>As at 31 December 2011</b>	<b>As at 31 December 2010</b>
Cash at bank	18,355	28,189
Cash at hand	-	-
Other short-term bank deposits	230,418	144,568
	<b>248,773</b>	<b>172,757</b>

Other short-term bank deposits relate to time deposits up to three months.

As at 31 December 2011 deposits that are placed with National Bank of Greece are EUR equivalent 1,266 thousand and EUR 637 thousand, deposits that are placed with EFG bank are EUR 71.2 thousand and RSD 21,500 thousand and with Raiffeisen Bank RSD 2,361 thousand.

Interest rates for short-term deposits placed with National Bank of Greece are 3.90% per annum for deposits in EUR equivalent and 3.94% per annum for Euro deposits. For EUR deposits placed with EFG Bank interest rate is 3.67% per annum and 12% per annum for RSD deposits. For RSD deposits placed with Raiffeisen bank interest rate is 7,56% per annum. The interest accrued for the period is recorded as interest income in the Income Statement.

**17 Stakes in limited liability company**

In November, 2009 The Company has changed its legal form from Joint Stock Company to Limited Liability Company. After that, ownership was transferred from Tithys Ltd, Cyprus to AEAS Ltd, Netherland.

As at 31 December 2011 the registered stake capital of the Company amounts to RSD 2,505,209 thousand.

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**18 Other non current liabilities and provisions**

	<b>As at 31 December 2011</b>	<b>As at 31 December 2010</b>
Deferred tax liabilities	1,038	-
Non current portion of liabilities for donation to Municipality	-	10,320
Retirement reward	27,114	25,986
Provision for legal cases	3,078	993
Provision for jubilee awards	51,120	53,052
Provision for rehabilitation of quarries	5,836	5,836
	<b>88,186</b>	<b>96,187</b>

**Donation to Municipality**

In order to resolve disputes with Municipality Kosjeric and regulate manner of settlement of liabilities taken over by Sales and Purchase Agreement, as of 14 December 2005 the Company has entered two agreements with Municipality Kosjeric.

In accordance with the first Agreement the Company was obliged to pay amount of RSD 92,824 thousand less payment already made of RSD 18,565 thousand till the year ended 2005 in the period of six years.

In accordance with the second Agreement, after the adoption by the Municipality of Kosjeric of the detailed regulation plan and until 2012, the Company was obliged to pay the Municipality the monetary equivalent of 3,500 tons of Cement at 61 Euros per ton plus the amount of 50 thousand Euros per year. The detailed regulation plan was adopted in 2007 and the Company started settling liabilities to Municipality in this respect.

During 2011, the Company has settled the following obligations:

- remaining obligation defined in the first Agreement except obligation for December 2011
- remaining obligation defined in the second Agreement related to payment of monetary equivalent of 3,500 tons of cement at 61 Euros per ton
- remaining obligation defined in the second Agreement related to payment of 50 thousand Euros per year, except undue obligation for the period December 2011-March 2012.

	<b>As at 31 December 2011</b>	<b>As at 31 December 2010</b>
1 to 2 years	-	10,320
	-	<b>10,320</b>



**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**18. Other non-current liabilities (continued)**

**Provisions for retirement benefits**

The Company is obliged under the collective agreement to pay each employee: 1.5 average salary higher of the Company's average salary and employee's average salary plus 50% of average salary in Republic of Serbia as retirement reward if the calculated amount is not lower than the Company's obligation per Labor Law. In that case the Company is obliged to pay a minimum staff leaving indemnity equal to three average monthly gross salaries applicable in the country on the date of retirement. According to the evaluation of the certified actuary, the present value of the provision on 31 December 2011 is RSD 28,587 thousand out of which RSD 27,114 thousand represents long-term portion. The principal actuarial assumptions used in calculation of provision are: discount rate – 10%, future salary increase – 7%.

Movements in the provision for retirement reward were as follows:

	<b>For 12months period ended 31-Dec-11</b>	<b>For 12months period ended 31-Dec-10</b>
<b>As at 1 January</b>	<b>25,986</b>	<b>23,269</b>
Utilized during the year	(1,132)	
Additional provision	2,260	2,717
<b>Closing balance</b>	<b>27,114</b>	<b>25,986</b>

**Provision for legal cases**

There are 9 ongoing pieces of litigation against the Company. In most cases the Company is sued by employees. There is also a claim for damages to crops and damage to property caused by explosions in quarries. In the opinion of the management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2011.

	<b>For 12months period ended 31-Dec-11</b>	<b>For 12months period ended 31-Dec-10</b>
<b>As at 1 January</b>	<b>993</b>	<b>993</b>
Utilized during the year	(598)	-
Additional provision	2,683	-
<b>Closing balance</b>	<b>3,078</b>	<b>993</b>

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**18. Other non-current liabilities (continued)**

**Provisions for Jubilee awards**

The Company is obliged under the collective agreement to pay each employee Jubilee awards when the employee completes 10, 15, 20, 25, 30, 35, and 40 years of continuous employment in the Company. The rewards are as follows: 1 average salary of the Company to the employee that completes the 10<sup>th</sup> and the 15<sup>th</sup> year of continuous employment, 1.5 average salary of the Company to the employee that completes the 20<sup>th</sup> and the 25<sup>th</sup> year of continuous employment, 2 average salaries of the Company to the employee that completes the 30<sup>th</sup> and the 35<sup>th</sup> year of continuous employment and 2.5 average salaries of the Company to the employee that completes the 40<sup>th</sup> of continuous employment. According to the evaluation of the certified actuary, the present value of the provision (long-term portion) on 31 December 2011 is RSD 51,120 thousands. The principal actuarial assumptions used in calculation of provision are: discount rate – 10%, future salary increase – 7%.

	<b>For 12 months period ended 31-Dec-11</b>	<b>For 12 months period ended 31-Dec-10</b>
<b>As at 1 January</b>	<b>53,052</b>	<b>46,464</b>
Utilized during the year		
Unused amounts reversed	(1,932)	(1,190)
Additional provision	-	7,778
<b>Closing balance</b>	<b>51,120</b>	<b>53,052</b>

**Provisions for Rehabilitation for quarries**

	<b>For 12-months period ended 31-Dec-11</b>	<b>For 12-months period ended 31-Dec-10</b>
<b>As at 1 January</b>	<b>5,836</b>	<b>5,305</b>
Additional provision	-	531
<b>Closing balance</b>	<b>5,836</b>	<b>5,836</b>

The Company is obliged by the Law, to perform rehabilitation of limestone and marl quarries after exploitation is finished. According to the Study prepared by the experts in this area, and which contains dynamics and evaluation of involved expenses, calculation of the present value of the provision is made using the discounting rate of 7%. Final value of the provision on 31 December 2009, in the amount of RSD 5,305 thousand is in proportion with the so far discovered surface on the quarries. During 2010 and 2011, the exploitation of the mineral reserves took place on the discovered surfaces for which the provision was made at the end of 2009. Consequently, at the end of 2010 and 2011 the provision has only been adjusted for the time value of money.

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**19 Trade and other payables**

	<b>As at 31 December 2011</b>	<b>As at 31 December 2010</b>
Trade payables	186,741	193,552
Liabilities for donation to Municipality (Note 18)	2,985	66,802
Advances received	18,040	28,845
Other taxes payable	23,693	3,882
Payables for salaries	15,874	15,007
Social, insurance contributions on salaries	7,525	7,137
Income tax payable	-	-
Payables to related parties (Note 21)	1,842	10,142
Dividend payable	304	339
Provision for retirement- current portion (Note 18)	1,474	1,208
Other payables	880	1,099
	<b>259,358</b>	<b>328,013</b>

Liabilities for donation to Municipality in amount of RSD 2,985 thousand presents remaining obligation which will be settled up to April 2012.

The table below summarizes the maturity profile of the Company's current liabilities at 31 December 2011 based on contractual payments.

	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>More than 1 year</u>	<u>Total</u>
<b>Year ended 31 December 2011</b>				
Trade payables	138,190	32,784	15,767	<b>186,741</b>
Other payables	50,827	130	304	<b>51,261</b>
Payables to related parties	1,842	-	-	<b>1,842</b>
<b>Total</b>	<b>190,859</b>	<b>32,914</b>	<b>16,071</b>	<b>239,844</b>
	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>More than 1 year</u>	<u>Total</u>
<b>Year ended 31 December 2010</b>				
Trade payables	163,925	24,954	4,673	<b>193,552</b>
Other payables	50,614	43,652	-	<b>94,266</b>
Payables to related parties	10,142	-	-	<b>10,142</b>
<b>Total</b>	<b>224,681</b>	<b>68,606</b>	<b>4,673</b>	<b>297,960</b>

**Concession fee**

The Company is obliged by the Law to pay tax in the amount of RSD 12 per ton of extracted mineral resources of limestone and marl stone, which are the basic ores for production of cement. Total outstanding liability, included in trade payables, as of 31 December 2011 amounted to RSD 1,182 thousand.

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**20 Related parties transactions**

	<b>For 12 months period ended 31-Dec-11</b>	<b>For 12 months period ended 31-Dec-10</b>
<b>Sales and services provided to related parties</b>		
TCK Montenegro- Montenegro	675,495	1,005,123
Stari Silo Company doo	506	399
	<b>676,001</b>	<b>1,005,522</b>
	<b>As at 31 December 2011</b>	<b>As at 31 December 2010</b>
<b>Purchase of goods and services from related parties</b>		
Zlatna Panega-Bulgaria	1,151	1,174
Titan Cement Company S.A., Athens	6,498	4,854
Titan Cement Company S.A., Athens	1,270	-
Tithys Ltd, Cyprus- see Note 7	14,888	15,524
TCK Montenegro- Montenegro	-	6,034
	<b>23,807</b>	<b>27,586</b>
	<b>As at 31 December 2011</b>	<b>As at 31 December 2010</b>
<b>Trade and other receivables</b>		
TCK Montenegro- Montenegro	143,855	154,695
Stari Silo Company doo	12,639	117,893
	<b>156,494</b>	<b>272,588</b>
<b>Trade and other payables</b>		
TITHYS Ltd, Cyprus	1,842	981
Titan Cement Company S.A., Athens	-	2,101
TCK Montenegro- Montenegro	-	7,060
	<b>1,842</b>	<b>10,142</b>

**21 Financial risk management objectives and policies**

**Market risk**

The Serbian economy is at an early stage of market development and there is a considerable degree of uncertainty surrounding its future direction. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates.

**Currency risk**

Foreign currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Local currency was recently continually devaluating.

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

---

(all amounts are stated in 000' RSD unless otherwise stated)

**21 Financial risk management objectives and policies (continued)**

**Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily in respect of trade receivables) and from its financing activities (deposits with banks, foreign exchange transactions and other financial instruments).

*Credit risk related to receivables* - The Company has no significant concentrations of credit risk. It has determined policies to ensure that wholesale of products are made to the customers with an appropriate credit history. Furthermore, receivables are often secured by solo bills or bank guarantees. Trade receivables as of 31 December 2011 are diversified. The maximum exposure of credit risk at the financial statement date is the carrying value of receivables stated in Note 14.

*Credit risk related to cash and deposits* – credit risk from balances with banks is managed in a way that surplus funds are made only with approved counterparties. Cash is placed with different banks in order to manage the risk.

**Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash, and the availability of funding. The Company is not exposed to any liquidity risk.

Maturity profile of the Company's liabilities is disclosed in Note 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 increase registered capital, 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.

	<b>For 12months period ended 31-Dec-11</b>	<b>For 12months period ended 31-Dec-10</b>
<b>EBITDA</b>	<b>1,685,216</b>	<b>2,140,965</b>

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

**TITAN CEMENTARA KOSJERIC DOO**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**  
**PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

(all amounts are stated in 000' RSD unless otherwise stated)

**21. Financial risk management objectives and policies (continued)**

**Capital management (continued)**

Reconciliation between profit and EBITDA is as follows:

	<b>For 12 months period ended 31 Dec 2011</b>	<b>For 12 months period ended 31 Dec 2010</b>
<b>Profit for the year</b>	<b>1,351,744</b>	<b>1,806,296</b>
<i>Add back:</i>		
Income tax	146,738	181,003
Depreciation expenses – cost of sales	168,254	169,269
Depreciation expenses – other operating expenses	11,548	11,557
Depreciation expenses – selling expenses	630	727
Depreciation expenses – administrative expenses	14,575	15,873
Finance income and expenses, net	(8,273)	(43,760)
<b>EBITDA</b>	<b>1,685,216</b>	<b>2,140,965</b>

**22. Potential liabilities and operational risks**

**Taxation**

The periods that remain open to review by the tax and customs authorities with respect to tax liabilities is for the last five years. The taxation system in the Republic of Serbia is undergoing continual revision and amendment. However, there are still different interpretations of the fiscal legislations. The tax authorities may have different approaches to certain issues in different circumstances, and assess additional tax liabilities, together with additional payment interest and penalties. The Company's management considers the tax liabilities presented in these financial statements are fairly stated.

**Environmental matters**

The enforcement of environmental regulation in Republic of Serbia is evolving and the enforcement posture of government authorities is continually being reconsidered. The Titan Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities which might arise as a result of changes in existing regulations, civil litigation or legislation cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

**Operating environment of the Company**

The economy of Serbia continues to display the characteristics of an emerging market. These characteristics include, but are not limited to, the existence of:

- currency controls;
- a low level of liquidity in the public and private debt and equity markets; and
- high inflation.

The prospects for future economic stability in Serbia are largely dependent upon the effectiveness of economic measures undertaken by the government, together with legal, regulatory, and political developments.