SharrCemSH.P.K. Hani i Elezit

Financial statements
For the year ended
31 December 2011
with Independent auditor's report

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Ernst & Young Certified Auditors Ltd
- Kosovo

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ERNST & YOUNG

Independent auditors' report to the shareholders of SharrCemSH.P.K. Hani i Elezit

We have audited the accompanying financial statements of SharrCemSH.P.K. Hani i Elezit ("the Company"), which comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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. 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.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:

a. As discussed in note 14 to the financial statements, under the process of reorganization approved by the Kosovo Tax Authorities, all the business activities of the Branch were transferred to the Company as of 1 June 2011. As a result, the Company is liable for the taxes of both companies, the Branch and the Company. During 2011 the Branch's books and records have been audited by the tax authorities for the period from 1 January 2010 to 31 December 2010. The tax audit is not yet finalized and therefore, the Company's tax liabilities may not be considered finalized. A provision for additional taxes and penalties, if any, that may be levied as a result of the finalization of the tax audit cannot, at this stage, be determined with any reasonable accuracy.

b. Further as discussed in note 14 to the financial statements, the Branch's books and records for the period from 1 January 2005 to 31 December 2009 were audited by the tax authorities during 2010. The tax authorities issued the final report on the tax audit by which the Branch had to pay additional corporate income tax of EUR 971,232. The Company has appealed to the Independent Review Board and expects the final outcome would be favorable for the Branch.

Ernst & Young Certified Auditors Ltd. - Kosovo,
Prishtinë, 17 February 2012

Statement of financial position

As at 31 December 2011

In Euro	*Note*	31 December 2011	31 December 2010
Assets			
Property, plant and equipment	*15*	39,343,571	29,886,093
Total non-current assets		**39,343,571**	**29,886,093**
Inventories	*16*	5,679,105	-
Trade and other receivables	*17*	1,499,945	-
Loans given	*18*	5,500,000	-
Prepaid expenses and advances given		237,850	-
Current tax asset		1,742,147	-
Cash and cash equivalents	*19*	1,115,650	-
Total current assets		**15,774,697**	**-**
Total assets		**55,118,268**	**29,886,093**
Equity			
Owner's capital	*20*	6,201,001	1,001
Retained earnings		42,999,709	29,885,092
Total equity		**49,200,710**	**29,886,093**
Liabilities			
Deferred tax liabilities	*14*	68,334	-
Total non-current liabilities		**68,334**	**-**
Trade and other payables	*21*	5,116,278	-
Advances received		28,103	-
Provision for litigation	*22*	350,000	-
Provision for site restoration	*22*	354,843	-
Total current liabilities		**5,849,224**	**-**
Total liabilities		**5,917,558**	**-**
Total equity and liabilities		**55,118,268**	**29,886,093**

The financial statements and the notes set out on pages 1 to 29 were authorised for issue by the directors of SharrCemSH.P.K., Hani i Elezit on 31 January 2012 and were signed on their behalf by:

Emmanuel Mitsou
Managing Director

Xhemail Dernjani
Head of Finance

Statement of comprehensive income

For the year ended 31 December 2011

In Euro	Notes	**31 December 2011**
Revenue	*9*	24,848,806
Cost of sales	*10*	(16,567,597)
Gross profit		**8,281,209**
Other income		68,176
Administrative	*11*	(776,719)
Selling & Marketing expenses	*12*	(127,823)
Other expenses		(320,000)
Results from operating activities		**7,124,843**
Finance income		78,956
Finance cost		(124,810)
Net finance expense	*13*	**(45,854)**
Profit before income tax		**7,078,989**
Income tax expense	*14*	(1,022,286)
Profit for the year		**6,056,703**
Other comprehensive income for the year		-
Total comprehensive income for the year		**6,056,703**

The notes on pages 4 to 34 are an integral part of these financial statements

Statement of changes in equity

For the year ended 31 December 2011

In Euro	**Owner's capital**	**Retained earnings**	**Total**
At 9 December 2010 and 31 December 2010	1,001	29,885,092	29,886,093
Profit for the year	-	6,056,703	6,056,703
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	6,056,703	6,056,703
Increase of owner's capital	6,200,000	-	6,200,000
Transfer from the Branch	-	7,057,914	7,057,914
At 31 December 2011	6,201,001	42,999,709	49,200,710

Statement of cash flows

For the year ended 31 December 2011

In Euro	*Note*	**31 December 2011**
Cash flows from operating activities		
Profit for the period		7,078,989
Adjustments for:		
Depreciation and amortisation		2,408,970
(Gains) from sales of PPE		(21,218)
Interest income	*13*	(78,956)
Interest expenses	*13*	85,038
		9,472,823
Change in inventories		(1,352,058)
Change in trade and other receivables		1,628,555
Change in trade and other payables		(383,347)
Change in provisions		(442,277)
Cash generated from operating activities		**8,923,696**
Interest paid		(85,038)
Income tax paid		(741,219)
Net cash from operating activities		**8,097,439**
Cash flows from investing activities		
Interest received		78,956
Acquisition of capital assets		(10,676,232)
Proceeds from sale property, plant and equipment		21,218
Loans given		(5,500,000)
Net cash used in investing activities		**(16,076,058)**
Cash flows from financing activities		
Increase of owners capital		6,200,000
Net cash from financing activities		**6,200,000**
Net decrease in cash and cash equivalents		(1,778,619)
Effect of merger		2,894,269
Cash and cash equivalents at 1 January		-
Cash and cash equivalents at 31 December 2011	*19*	**1,115,650**

Notes to the financial statements

1. Corporate information

SharrCemSH.P.K ("the Company") is a limited liability company domiciled in Kosovo. The address of the Company's registered office is AdemJashari p.n. Hani i Elezit, Kosovo.

SharrCemSH.P.K was established as part of the privatisation process of the Sharr Cement Plant, Socially Owned Enterprise ("SharrSOE"). SharrSOE was previously operated under operating lease agreement signed between SharrBeteiligungs GmbH, Hamburg ("the Parent") through its Branch in Kosovo ("the Branch") and the United Nations Interim Administration in Kosovo ("UNMIK"). To facilitate the privatization process, the Privatization Agency of Kosovo ("PAK") incorporated a new legal entity „New Company" with share capital of € 1.000. PAK has honoured the Lease agreement by exercising the option of the Parent to acquire the Sharr SOE assets at a fair market price. The negotiations were closed on 9 December 2010 by signing the share purchase agreement („SPA") between the PAK and the Parent. On this date the operating lease agreement between PAK and the Parent has been terminated; the New Company has issued one additional share of € 1 to PAK in exchange for the assets from SharrSOE; and transfer of 100% interest in New Company to the Parent as buyer of the New Company at the amount of € 30.101.000. At this date valuation of the transferred assets in the New Company was carried out. Valuation of the plant and machines was performed by the Titan Cement Company S.A technical department. The New Company has been renamed to SharrCemSH.P.K.

As of 12 May 2011 the company management has required from Kosovo Tax Authorities ("KTA") approval of the proposed reorganisation plan of the Company and the Branch. As stated in the request based on the Shareholder Resolution of the Parent the management intent to carry out a complete transfer of all business activities from the Branch to the Company as of 1 June 2011. Under the process of reorganization of the business, the Branch will transfer all account balances to the Company, including but not limited, to retained earnings, receivables, payables, etc. Regarding the fact that the Branch has a claim towards the Independent Commission for Mines and Minerals ("ICMM") and therefore it cannot be closed totally from a legal point of view, it will continue to exist as dormant one. As of 30 May 2011 the KTA has approved the reorganisation plan and as of 1 June 2011 all the assets and liabilities and the business was transferred from the Branch to the Company. Prior to this the Company didn't had any business activities.

The sole operation of the Company is the production and sale of masonry cement and cement. The Company operates solely on the Kosovo market.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements for the year ended 31 December 2011 are the first the Company has prepared in accordance with IFRS. In the previous period, the Company did not present its financial statements nor in accordance with IFRS or in accordance with local accounting practice (Local GAAP). Refer to Note 4 for information how the Company adopted IFRS.

(a) Basis of measurement

The financial statements have been prepared on the historical cost basis. The financial statements are presented in Euros and all values are rounded to the nearest absolute amount, except when otherwise indicated.

Notes to the financial statements

2. Basis of preparation (continued)

(b) Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainly about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Restoration costs

The Company is generally required to restore quarries and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the Company's environmental policies. Provisions for environmental restoration are recognized when the Company has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Estimating the future costs of these obligations is complex and requires management to make estimates and judgments because most of the obligations will be fulfilled in the future and contracts and laws are often not clear regarding what is required. Furthermore, the resulting provisions are further influenced by the changing technologies and, environmental, safety, business, political and statutory considerations.

Impairment losses on trade receivables

The Company reviews its trade receivables from customers at each reporting date to assess whether an allowance for impairment should be recorded in the Statement of Comprehensive Income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

3. Summary of significant accounting policies

The following are the accounting policies applied by the Company in preparing its financial statements. The Company was purchased as at 9 December 2010, but since there were no business activities in 2010, there are no corresponding figures in the statement of comprehensive income.

(a) Foreign currency

The financial statements are presented in Euros, which is the Company's functional currency. Transactions in foreign currencies are initially recorded in Euros using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Euros at the exchange rate ruling at that date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Notes to the financial statements

3. Significant accounting policies (continued)

(b) Financial instruments

***(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.
The Company's financial assets include cash and cash equivalents, 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), less impairment. 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.

Notes to the financial statements

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

i. Financial assets (continued)

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 them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method (EIR). The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in the finance costs. The Company did not have any investments held to maturity during the year ended 31 December 2011.

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses 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 loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. The Company did not have any available-for-sale financial investments during the year ended 31 December 2011.

De-recognition

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 or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Notes to the financial statements

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

i. Financial assets (continued)

Impairment of financial assets (continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency 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.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments 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 effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement.

Notes to the financial statements

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

ii. Financial liabilities

De-recognition

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 de recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

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.

(c) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated as follows:

- Those assets acquired at 9 December 2010, the date of purchase of the Company's shares as part of the privatisation process (see note 1), were recognised at fair value with corresponding increase in equity (retained earnings). This has been done in accordance with the exceptions allowed by IFRS 1 *First-Time adoption of International Financial Reporting Standards*. Refer to Note 4 for information how the Company adopted IFRS.
- Those assets acquired after 9 December 2010 are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, except for land (excluding quarries), which is shown at cost less impairment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income/other expenses in income statement.

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, the component is depreciated separately.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, with the exception of quarries.

Land on which the quarries are located is depreciated on a depletion basis. The depletion is recorded as the material extraction process advances based on the unite-of-production method. Other land is not depreciated.

Depreciation rates based on the estimated useful lives for the current and comparative periods are as follows:

- Buildings Up to 20 years
- Machinery& Equipment Up to 20 years
- Office equipment furniture and fittings Up to 5 years

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

(d) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on a weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

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

(e) Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash held with banks. The components of cash and cash equivalents have a negligible risk of change in value.

(f) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit "CGU" exceeds its estimated recoverable amount.

Notes to the financial statements

3. Significant accounting policies (continued)

(f) Impairment of non-financial assets (continued)

The recoverable amount of an asset or CGU is the higher of and asset's or CGU fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate assets is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGU on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Employee benefits

(i) Defined contribution plans

The Company contributes to its employees' post retirement plans as prescribed by the national legislation. Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions. There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Notes to the financial statements

3. Significant accounting policies (continued)

(h) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognised as finance cost. The provisions comprise of provision for litigations and provision for site restoration. Provisions are not recognised for future operating losses.

(i) Site restoration

In accordance with applicable legal requirements, a provision for site restoration in respect of exploitation of land, and the related expense, is recognised when the land is explored below the specified quota.

(i) Revenue

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

Transfer of risks and rewards occurs when the cement is received by the customer.

(j) Finance income and finance costs

Finance income is comprised of interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets.

Borrowing costs that are not directly attributable to the acquisition construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(k) Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Notes to the financial statements

3. Significant accounting policies (continued)

(k) Taxes (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

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

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

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognized outside profit or loss is recognized is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the financial statements

3. Significant accounting policies (continued)

(k) Taxes (continued)

Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables that are stated with the amount of sales tax included.

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

4. First-time adoption of IFRS

These financial statements, for the year ended 31 December 2011, are the first the Company has prepared in accordance with IFRS. The Company did not present financial statements for the previous period.

Accordingly, the Company has prepared financial statements which comply with IFRS applicable for the periods on or after 31 December 2011, together with the comparative period data as at and for the period ended 31 December 2010, as described in the accounting policies. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 9 December 2010, the date of purchase of the Company's shares as part of the privatisation process (see note 1). This note explains the principal adjustments made by the Company as a starting point for its accounting in accordance with IFRS.

The Company has elected to measure property, plant and equipment at fair value at the date of purchase of the Company's shares as part of the privatization process, 9 December 2010. As at this date, valuation of the property, plant and equipment was performed by the Titan Cement Company S.A technical department and the amount of € 29,885,092 representing the fair value of the assets as at that date has been recognised as property plant and equipment resulting with an appropriate adjustment of retained earnings. Subsequent to this specific date, the Company used IFRS to measure the assets and liabilities.

	As at 9 December 2010	Re-measurements	IFRS as at 31 December 2010
Assets			
Non-current assets			
Property, plant and equipment	1,001	29,885,092	29,886,093
Total assets	**1,001**	**29,885,092**	**29,886,093**
Equity and liabilities			
Equity			
Owner's capital	1,001	-	1,001
Retained earnings	-	29,885,092	29,885,092
Total equity and liabilities	**1,001**	**29,885,092**	**29,886,093**

Notes to the financial statements

5. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**
  The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon DE recognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company'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**
  The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Company is in the process of assessing the impact of this amendment on the financial position or performance of the Company.

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

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

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

Notes to the financial statements

5. Standards issued but not yet effective (continued)

- **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.

- **IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amended)**
  The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment introduces a new deemed cost exemption for entities that have been subject to severe hyperinflation. When an entity's date of transition to IFRS is on, or after, the functional currency "normalisation" date, the entity may elect to measure all assets and liabilities, held before the functional currency "normalisation" date, at fair value on the date of transition to IFRS. Additionally, the IASB removed the legacy fixed dates included in IFRS 1 for de-Recognition and day one gain or loss transactions and replaced those dates with the date of transition to IFRS. Earlier application is permitted. The Company has not applied this exemption.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements**
  The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has only disclosure effects. Management has assessed that this amendment has no impact on the financial position or performance of the Company.

- **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.

Notes to the financial statements

5. Standards issued but not yet effective (continued)

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

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

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

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

Notes to the financial statements

5. Standards issued but not yet effective (continued)

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

- **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 (striping activity asset). Where cost cannot be specifically allocated between the inventories 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.

6. Cash flow presentation

The following assets, liabilities and retained earnings were transferred from the Branch as at 1 June 2011 as part of the reorganisation process of the Branch and the Company (see note 1). As a non-cash transaction it has not been presented in the Statement of cash flows for the year ended as at 31 December 2011:

In Euro

Property, plant and equipment	1,190,217
Inventories	4,327,048
Trade and other receivables	3,366,334
Current tax asset	1,742,146
Accumulated profit	7,057,915
Loans and borrowings	1,500,000
Trade and other payables	3,814,980
Provision for litigation	350,000
Provision for site restoration	797,119

7. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Notes to the financial statements

7. Determination of fair values (continued)

(i) Property, plant and equipment

The property, plant and equipment that was obtained at 9 December 2010 (the date of purchase of the Company's shares as part of the privatisation process (see note 1) are stated at fair value. Valuation of the plant and machines was performed by the Titan Cement Company S.A technical department, since it relates to specific valuation which is known to the Titan Group from its previous similar transactions. The fair value was determined using references of the newly constructed factory in the Titan Group, ANTEA Cement.

(ii) Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(iii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

8. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Managing Director has overall responsibility for the establishment and oversight of the Company's risk management framework.

Company's risk management is established in order to identify and analyse the risks faced by Company, to set appropriate risk limits and controls and monitor risks and adherence to limits.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Notes to the financial statements

8. Financial risk management (continued)

(i) Trade and other receivables

Company's exposure to credit risk is influenced by the individual characteristics of each customer. Around 99% of Company's customer base consists of domestic customers. Next to the individual customer risk there is an inherent country risk related to the customers.

Company has established a credit procedure under which each new customer is analysed for creditworthiness before Company's standard payment and delivery terms and conditions are offered. Company's analysis includes bank references, if available.

Purchase limits are established for each customer, which represents the maximum open amount, without requiring an approval from the CEO. These limits are reviewed monthly in sales department and finance department.

Customers that fail to meet the benchmark for creditworthiness of Company may buy goods from Company on a prepayment basis or by providing a bank guarantee issued by one of the three biggest Kosovo's banks. In all other cases the Company does not require collateral in respect of trade and other receivables.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures in respect of losses that have been incurred but not yet identified.

(ii) Cash and cash equivalents

The Company held cash and cash equivalents of € 1,115,650 as at 31 December 2011 (31 December 2010: nil) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held in well-known banks in Kosovo.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has implemented accounting and controlling procedures in line with the Titan Group and is able to monitor cash flow requirements at any point of time.

The Company always ensures that it has sufficient cash available on demand to meet expected operational expenses for a period of 60 days. This excludes the potential impact of extreme circumstances, as natural disasters or political disturbances in the region.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

(i) Currency risk

The Company is exposed to foreign currency risk on purchases that are denominated in a currency other than Euro. The currencies giving rise to this risk are primarily USD and MKD. Since transaction in foreign currency presents small portion in the annual turnover of the Company, changes in the foreign exchange rates could not have a significant effect on the financial results of the Company. The Company did not enter into any foreign exchange hedge instruments.

Notes to the financial statements

8. Financial risk management (continued)

(ii) Interest rate risk

The Company has fixed rate financial assets consisted of cash and cash equivalents and fixed rate financial liabilities consisted of loans and borrowings. Hence, these fixed rate financial assets and liabilities expose the Company to a risk of change in their fair value. Yet, as these financial assets bear market interest rate which is very low, changes in the interest rate does not have significant effect on the fair values of the respective financial assets. The financial liabilities are short term and changes in the interest rate do not have significant effect on the fair values of the respective financial liabilities as well.

The Company has financial assets consisted of loans given to the Parent arranged with variable rate. These loans are short term, and changes in interest rates do not have significant effect on their fair value.

The Company is not involved in hedging activities.

(e) Capital management

The Company policy is to maintain stability of capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Company monitors the return on capital, which the Company defines as net operating income divided by total owners' capital.

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

In Euro	**31 December 11**
EBITDA	9,533,813

There were no changes in the Company's approach to capital management during the year.

The Company's management is not subject to externally imposed capital requirements.

9. Revenue

In Euro	**31 December 2011**
Sales of goods	24,848,806
	24,848,806

10. Cost of Sales

In Euro	**31 December 2011**
Variable	
Kiln fuel	6,174,205
Raw material	1,528,368
Purchased clinker	489,456
Electricity power	1,543,075
Fuel and oil	69,021
Refractory	167,089
Grinding media	28,853
Other variable costs	824,078
Total variable cost	**10,824,145**
Fixed	
Salaries	1,942,658
Maintenance spare parts	246,605
Third parties services	641,627
Other plan utilities	27,031
Insurance and taxes	5,350
Other fixed costs	127,402
Total fixed cost	**2,990,673**
Inventory (Increase)	(1,159,680)
Depreciation	2,380,754
Distribution&Packing	1,531,705
Cost of sales	**16,567,597**

10a. Distribution & Packing expenses

In Euro	**31 December 2011**
Packing	
Bags and wrapping materials	887,133
Fuel & Oil	19,324
Electricity	54,683
Consumables	770
Maintenance & spare parts	66,225
Salaries & related expenses	193,685
Third parties labour maintenance	11,652
Other cost center expenses	69,598
Total packing cost	**1,303,070**
Distribution Expenses	
Third parties services transportation	228,635
Total distribution costs	**228,635**
Total packing and distribution	**1,531,705**

11. Administrative expenses

In Euro	**31 December 2011**
Salaries	144,393
Social Security	7,753
Overtime	4,954
Staff Benefits	46,438
Training	1,378
Other Staff Related Expenses	408
Audit Fees (Other Companies)	42,115
Legal / Notary Fees & Related Expenses	117,389
Consulting Fees (Other Companies)	2,880
Other Professional Fees & Related Expenses	3,931
Car Fuel Expenses	21,502
Travelling Expenses	91,310
Building Utilities (Electricity, Fuels & Water, Other Utilities)	33,576
Building Insurance	43,777
Software Maintenance	25,199
IT Materials	5,870
Donations	52,950
Other taxes	64,463
Other Administrative Expenses	38,216
Depreciation	28,217
Total	**776,719**

12. Selling expenses

In Euro	**31 December 2011**
Salaries	72,377
Social Security	4,394
Overtime	9,151
Staff Benefits	8,479
Car Fuel Expenses	4,636
Travelling Expenses	1,235
Building Utilities	4,956
Building Insurance	600
Advertising and Promotion	13,466
Other Taxes	15
Other Selling Expenses	8,514
Total	**127,823**

13. Finance income and finance costs

In Euro	31 December 2011
Interest income	78,956
Finance income	78,956
Interest expense	(85,038)
Bank charges	(39,772)
Finance costs	(124,810)
Net finance expense recognised in profit or loss	(45,854)

14. Income tax expense

In Euro	31 December 2011
Current tax expense	
Current period	953,952
	953,952
Deferred tax income	
Origination of temporary differences	68,334
	68,334
Total income tax expense	1,022,286

Reconciliation of effective tax rate

In Euros	31 December 2011
Profit before tax of the Branch for the period from 1 January to 31 May 2011	2,749,834
Profit before tax of the Company for the year ended 31 December 2011	7,078,989
Total profit before tax	9,828,823
Tax at nominal tax rate 10 %	982,882
Tax adjustments for	
Land depletion	33,313
Penalties	37
Incentive on purchase of new machinery	(6,011)
Deference in depreciation	(89,864)
Other	33,595
Tax at effective tax rate (9.7%)	**953,952**

14. Income tax expense (continued)

Deferred Tax

	Income statement	Statement of financial position	
	31 December 2011	31 December 2011	31 December 2010
Deferred tax assets/liabilities			
Temporary differences between carrying amount of property, plant and equipment and their tax base	68,334	68,334	-
Deferred tax liabilities, total		68,334	-
Deferred income tax expense	68,334		

As stated in the note 1 the reorganisation plan of the Branch and the Company was approved by the KTA. As agreed with the KTA, the income tax for 2011 for the Branch and the Company will be paid and calculated by the Company, i.e. for the tax authorities will exist only one company. The Company has calculated and paid income tax, taking into consideration its own results and the five months results of the Branch.

Furthermore, since the Company now is liable for the income tax of both companies, it is also responsible for the on-going appeal within the Independent Review Board on the final tax report received by the Branch. Namely, in 2010 the Branch's books and records for the period from 1 January 2005 to 31 December 2009 have been audited by the tax authorities. The tax authorities have issued a final report on the tax audit by which the Branch has to pay additional tax on income in the amount of € 1,344,931 (including the € 363,699 penalty for late payment). On 23 December 2010 the Branch filed an appeal to the commission, within the tax authorities, against their final decision. After the hearing session held by the commission, within the tax authorities, the appeal of the Branch was rejected.

The rejected appeal was analysed by the tax experts engaged by the Branch and according to their opinion the tax authorities have no right to charge the Branch the additional tax on income, since the calculation of additional charge and refusal of the appeal derives from retrospective application (for the period 1 January 2005 – 31 January 2009) of the provisions of the Law No.03/L-162, ratified by the President of the Assembly of Republic of Kosovo on 29 December 2009 and published as effective from 1 January 2010, according to which the retrospective application of the Law is prohibited.

14. Income tax expense (continued)

In 2011 the Branch has paid the additional income tax excluding penalty of € 363,699 stated in the final report, using the Decision of the Government to release the Branch from the penalties with one single payment of all obligations that the Branch had toward the tax administration taken from this audit. This is valid for all tax periods as foreseen with the decision of the Government No. 06/126 dated 26 May 2010.

Using the right for reduction of penalties the management appealed to the Independent Review Board on the final tax report.

Based on the above, the management expects that the appeal will be accepted by the Independent Review Board and the additionally paid amount of tax on income will be reimbursed by the tax authorities. Accordingly, the receivable for tax on income in the amount of € 1,344,931 less penalty of € 363,699 was recognised in the financial statements of the Company for the year ended 31 December 2011.

The Branch's books and records for the period from 1 January 2010 to 31 December 2010 are currently being audited by the tax authorities. The tax audit is not yet finalized. Therefore, the Company's tax liabilities may not be considered finalized since now it is liable for the Branch's income tax as well i.e. a provision for additional taxes and penalties, if any, that may be levied after finalization of the tax audit cannot, at this stage, be determined with any reasonable accuracy.

15. Property, plant and equipment

In Euro	Quarries	Buildings	Machinery&Equipment	Furniture	Construction in progress	Total
Cost						
At 1 January 2011	-	2,363,426	27,521,666	-	1,001	29,886,093
Additions	7,142,784	237,871	1,057,654	242,881	1,995,042	10,676,232
Transfer from the Branch	-	56,468	144,484	-	996,174	1,197,126
At 31 December 2011	7,142,784	2,657,765	28,723,804	242,881	2,992,217	41,759,451
Depreciation						
At 1 January 2011	-	-	-	-	-	-
Transfer from the Branch	-	1,027	5,882	-	-	6,909
Charge for the period	333,134	163,108	1,887,635	25,094	-	2,408,971
At 31 December 2011	333,134	164,135	1,893,517	25,094	-	2,415,880
Carrying amounts						
At 1 January 2011	-	2,363,426	27,521,666	-	1,001	29,886,093
At 31 December 2011	6,809,650	2,493,630	26,830,287	217,787	2,992,217	39,343,571

The property, plant and equipment that was obtained at 9 December 2010 (the date of purchase of the Company's shares as part of the privatisation process (see note 1) are stated at fair value. Valuation of the plant and machines was performed by the Titan Cement Company S.A technical department, since it relates to specific valuation which is known to the Titan Group from its previous similar transactions. The fair value was determined using references of the newly constructed factory in the Titan Group. The fair value of property, plant and equipment determined as at 9 December 2010 is € 29,885,092, and was allocated to the buildings and to the machinery and equipment since their ownership was transferred to Sharrcem Shpk according to the "Declaration of transfer of assets and obligations" and according to the "Declaration of transfer of real property". No value was allocated to Land since to Sharrcem Shpk the right to use of land was transferred as a 99 year Leasehold (92 years remaining). The difference between the fair value of the assets acquired and the nominal value of the shares issued net of applicable deferred tax was credited to retained earnings in equity.

Security

The Company has no liens or encumbrances on its assets nor has any asset been pledged as collateral.

The Company didn't presented corresponding figures in the movement of the property, plant and equipment, since the Company was purchased as at 9 December 2010.

16. Inventories

In Euro	31 December 2011	31 December 2010
Raw materials, consumables and spare parts	2,030,771	-
Work in progress	2,828,390	-
Finished goods	1,032,864	-
Provision for inventory obsolence	(212,920)	-
	5,679,105	-

17. Trade and other receivables

In Euro	31 December 2011	31 December 2010
Trade receivables	1,123,309	-
Receivables from related parties	209,247	-
Other receivables	15,632	-
VAT receivables	151,757	-
	1,499,945	-

As at 31 December 2011, the ageing analysis of the receivables is as follows:

In Euro		Past due but not impaired					
	Not due	0 to 30 days	30 to 60 days	60 to 90 days	90 to 120 days	120 and above	Total
Trade receivables	328,417	335,575	245,977	72,637	11,267	129,436	1,123,309

The Company exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 8.

18. Loans given

The Company has given loan to SharrBeteligungs GMBH, Hamburg, which should be repaid no later than 22 June 2012 (note 24).The annual interest rate is EURIBOR plus 2.08% per annum for the relevant interest period.

19. Cash and cash equivalents

In Euro	31 December 2011	31 December 2010
Bank balances	1,115,297	-
Cash on hand	353	-
	1,115,650	-

20. Capital and reserves

Owner's capital

SharrBeteiligungs GmbH, Hamburg is the sole owner of the Company. Owner's capital in the amount of € 6,201,001 is fully paid. The stake holders are entitled to receive dividends as declared from time to time. All stakes rank equally with regard to the Company's residual asset.

Dividends

Until the date of the issuance of this financial statement, dividends were not declared by the owner.

21. Trade and other payables

In Euro	31 December 2011	31 December 2011
Trade payables	2,563,724	-
Liabilities to related parties	1,637,135	-
Other	915,419	-
	5,116,278	-

The Company exposure to liquidity risk related to trade and other payables is disclosed in note 8.

22. Provisions

In Euro	Litigation	Site restoration	Total
Balance at 1 January 2011	-	-	-
Transferred from the Branch	350,000	868,821	1,218,821
Provision used during the period	-	(513,978)	(513,978)
Balance at 31 December 2011	350,000	354,843	704,843
Current	350,000	354,843	704,843
	350,000	354,843	704,843

Litigation

Provisions for litigation related to expected cash outflows for lost litigation. The provision was based on estimate of the amount the Company would have paid for settling of the liability. As part of the reorganisation process (see note 1), the provisions for litigation were transferred from the Branch to the Company, since all the legal proceedings toward the Branch were transferred from the Branch to the Company.

Site restoration/exploration

In accordance with the Law on Environment protection and decision of the Ministry of Environment and Spatial Planning the Company is obliged to cover the exploration area below quota 372. Provision of € 513,978 was used during 2011. As part of the reorganisation process of the Branch and the Company (see note 1), the liability for covering the exploration area below quota 372 was transferred from the Branch to the Company.

23. Commitments and contingencies

The Company has issued bank guarantees of total value € 523,000 in favour of the Customs authorities for the following cases:

i) Two bank guarantees from Reiffeisen Bank for temporary imports amount of € 480,000 and € 28,000 respectively that expire on March 15th 2012.

ii) One bank guarantee from NLB Pristina for the import of raw materials of the amount of € 15,000 that expires on December 31st 2012.

24. Related parties

Parent and ultimate controlling party

The Company is controlled by SharrBeteiligungs GmbH, Hamburg, the parent company. The ultimate parent of the Company is Titan Cement Company S.A. The Company has a related party relationship with individuals with authority over and responsibility for the Company, entities related to the abovementioned entities. The following transactions were carried out with related parties:

24. Related parties (continued)

Sales and services provided to related parties	**31 December 2011**
Sharr Beitaligungs GMBH, short term loan receivable	3,701
Usje Cementarnica A.D.	16,944
	20,645

Purchase of goods and services from related parties	**31 December 2011**
Cementarnica USJE A.D. Skopje	5,044,041
Antea Cement SHA	329,634
TGF	85,001
	5,458,676

Trade and other receivables	**31 December 2011**
Sharr Beitaligungs GMBH, short term loan receivable	5,500,000
Sharr Beitaligungs GMBH, sundry receivables	3,701
Sharr Beitaligungs GMBH, trade receivables	208,264
	5,711,965

Trade and other payables	**31 December 2011**
Titan Cement Company SA	23,235
Cementarnica USJE A.D. Skopje	1,564,439
Kosovo Construction Materials	48,038
Beni Suef Cement Co.	1,420
	1,637,132

Customer prepayments	**31 December 2011**
Cementarnica USJE A.D. Skopje	17
	17

25. Financial instruments

(a) Credit risk

(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

In Euro	31 December 2011	31 December 2010
Trade and other receivables	1,499,945	-
Loans given	5,500,000	-
Cash and cash equivalent	1,115,650	-
	8,115,595	-

The maximum exposure to credit risk for trade receivables and receivables from related parties at the reporting date by geographic region was:

In Euro	31 December 2011	31 December 2010
Domestic	1,138,924	-
Germany	209,247	-
	1,348,171	-

(ii) Impairment losses

The aging of trade receivables and receivables from related parties at the reporting date was:

In Euro	Gross 31 December 2011	Impairment 31 December 2010
Not past due	328,417	-
Past due 0-30 days	335,575	-
Past due 31-60 days	245,977	-
Past due 61-90 days	72,637	-
Past due 91-120 days	11,267	-
More than 121 days	129,437	(69)
	1,123,310	(69)

25. Financial instruments (continued)

(a) Credit risk (continued)

(ii) Impairment losses

The movement in the allowance for impairment in respect of trade receivables and receivables from related parties during the year was as follows:

In Euro	**31 December 2011**
Balance at 1 January	-
Transferred from the Branch	(69)
Balance at 31 December	(69)

(b) Liquidity risk

The following are the contractual maturities of financial liabilities, excluding the impact of netting agreements:

31 December 2011

In Euro	***Carrying amount***	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
Non-derivative financial liabilities						
Trade and other payables	5,116,278	(5,116,278)	(5,116,278)	-	-	-
	5,116,278	(5,116,278)	(5,116,278)	-	-	-

25. Financial instruments (continued)

(c) Interest rate risk

(i) Profile

At the reporting date the interest rate profile of the Company's interest–bearing financial instruments was:

In Euro	**Carrying amount**	
	31 December 2011	**31 December 2010**
Fixed rate instruments		
Financial assets	1,115,650	-
Financial liabilities	-	-
	1,115,650	-
Variable rate instruments		
Financial assets	(5,500,000)	-
	(5,500,000)	-

Fair value sensitivity analysis for financial instruments

The Company does not account for any fixed and variable rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Notes to the interim financial statements

25. Financial instruments (continued)

(d) Fair values

(i) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		31 December 2011		31 December 2010	
In Euro	*Note*	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets carried at amortised cost					
Trade and other receivables	*17*	1,499,945	1,499,945	-	-
Loans given	*18*	5,500,000	5,500,000	-	-
Cash and cash equivalents	*19*	1,115,650	1,115,650	-	-
		8,115,595	8,115,595	-	-
Liabilities carried at amortised cost					
Trade and other payables	*21*	(5,116,278)	(5,116,278)	-	-
		(5,116,278)	(5,116,278)	-	-

The basis for determining fair values is disclosed in note 7.

26. Events after the reporting period

No material events subsequent to the reporting date have occurred which require disclosure in the financial statements.