ANTEA CEMENT Sh. A ALBANIA

FINANCIAL STATEMENTS
FOR GROUP CONSOLIDATION REPORTING PURPOSES

For the year ended 31 December 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of ANTEA CEMENT SHA - TIRANE

We have audited the condensed financial statements for group consolidation reporting purposes of Antea Cement Sha ("the Company"), which comprise the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information prepared for the sole purpose of consolidation into the Titan Cement Company S.A. consolidated financial statements, which are prepared in accordance with IFRS.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained below, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion based on the scope of our audit procedures. The scope of our audit procedures was established based on the tolerable error set for group reporting purposes, amounting to € 690.000.

Opinion

In our opinion, based on the assigned tolerable error, for the sole purpose of inclusion in the consolidation of Titan Cement Company S.A., the condensed financial statements referred to above give a true and fair view of the financial position of the Company as of 31 December 2012 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

This report is intended solely for the use of the Company and the ultimate Parent company and should not be used for any other purpose.

01 February 2013, Tirana

Ernst + Young Certified Auditors Shpk

Ernst & Young Certified Auditors Ltd -
Skopje Tirana Branch

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2012

	Notes	**2012 ALL'000**	**2011 ALL'000**
Sales of products	3.1	7.184.457	7.623.150
Other revenues	3.2	146.646	59.303
Cost of Sales	3.3	(6.459.715)	(6.203.935)
Gross Profit		**871.388**	**1.478.518**
Other Income	3.4	282.355	148.086
Other Expenses	3.5	(346.102)	(330.228)
Selling and Marketing Expenses	3.6	(623.941)	(597.820)
Administrative expenses	3.7	(477.692)	(590.108)
Operating Profit		**(293.992)**	**108.448**
Finance revenue	3.9	535.564	782.321
Finance cost	3.9	(1.527.269)	(1.800.050)
Profit before tax		**(1.285.697)**	**(909.281)**
Income tax expense	4.0	(149.308)	(276.667)
Profit for the year		**(1.435.005)**	**(1.185.948)**
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		**(1.435.005)**	**(1.185.948)**

The Statement of Comprehensive Income is to be read in conjunction with the notes set on pages 5 to 29, forming an integral part of the financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2012

	Notes	2012 ALL'000	2011 ALL'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	21.670.436	22.261.722
Intangible assets	6	35.686	22.191
Investment in subsidiary	7	937.971	937.971
		22.664.093	**23.221.884**
Current assets			
Inventories	8	1.391.984	1.488.627
Trade Receivables	9	1.181.028	1.296.481
Other Receivables	10	2.348.578	2.450.300
Receivables from Related Parties	17b	397.771	370.777
Cash and cash equivalents	11	898.225	651.635
		6.217.586	**6.257.820**
TOTAL ASSETS		**28.861.679**	**29.479.704**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued Capital	12	10.686.510	7.686.510
Retained earnings		(4.414.901)	(2.979.896)
		6.271.609	**4.706.614**
Non-current liabilities			
Interest-bearing loans & borrowings	13a	20.142.818	20.497.110
Re-forestation provision	14	5.697	26.743
Deferred tax liability, net	4.1	596.590	447.282
		20.745.105	**20.971.135**
Current liabilities			
Trade payables	15	978.248	670.487
Other payables	16	53.024	26.126
Interest-bearing loans & borrowings	13b	568.015	2.053.270
Payables to Related Parties	17d	245.678	1.052.072
		1.844.965	**3.801.955**
TOTAL EQUITY AND LIABILITIES		**28.861.679**	**29.479.704**

Authorized on behalf of the Board of Directors

Angelos Kalogerakos

Chief Executive Officer

Atanas Yurukov

Financial Director

The Statement of Financial Position is to be read in conjunction with the notes set on pages 5 to 29, forming an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2012

	Notes	2012 ALL'000	2011 ALL'000
Profit before tax		**(1.285.697)**	**(909.281)**
Cash flows from operating activities			
Non cash adjustment			
Depreciation and impairment of PPE		781.424	785.240
Amortization of intagible Assets		4.053	2.798
Movement in doubtful debt allowance		63.131	142.381
Movement in restoration provision		(21.046)	(12.283)
Movements in Allowances for Un-Used days of Vacations		(10.000)	-
Interest income		(21.786)	(8.652)
Interst expense		992.688	904.591
FX Gains / Losses		28.804	82.024
(Gain)/Losses on Disposal of FA		18.914	6.072
Working capital adjustment :			
Decrease / (Increase) in inventories		96.643	(365.486)
Decrease / (Increase) in trade and other receivables		103.380	(207.574)
Decrease / (Increase) in VAT Receivables			
Increase / (Decrease) in trade and other payables		(463.250)	(149.948)
Net Cash flows generated from operations		**287.258**	**269.882**
Cash flows from investing activities			
Purchase of property, plant and equipment		(236.087)	(215.358)
Purchase of intangible assets		(17.548)	(13.479)
Proceeds from sale of property, plant and equipment		27.036	
Purchase of shares in subsidaries investments			(112.825)
Net cash flows generated (used in) / from investing activities		**(226.599)**	**(341.662)**
Cash flows from financing activities			
Proceeds of borrowings net		421.050	5.276.705
Repayment of Borrowings		(1.906.154)	(3.957.180)
Repayment of Front Fees		(70.622)	(47.045)
Share Capital Increase		3.000.000	-
Interest Paid		(1.280.129)	(826.549)
Interest Received		21.786	8.652
FX exchange rates			-
Net cash flows (used) in financing activities		**185.931**	**454.583**
Net increase/(decrease) in cash and cash equivalents		246.590	382.803
Cash and cash equivalents at 1 January		651.635	268.832
Effects of Exchange Rates			
Cash and cash equivalents at 31December	11	**898.225**	**651.635**

The Statement of Cash Flow is to be read in conjunction with the notes set on pages 5 to 29, forming an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital ALL'000	Retained earnings ALL'000	Total ALL'000
At 1 January 2012	**7.686.510**	**(2.979.896)**	**4.706.614**
Net loss for the year	-	(1.435.005)	**(1.435.005)**
Other Comprehensive Income	-	-	-
Share Capital increase	3.000.000		**3.000.000**
Total Comprehensive Loss for the Period	-	(1.435.005)	**(1.435.005)**
At 30 December 2012	**10.686.510**	**(4.414.901)**	**6.271.609**

For the year ended 31 December 2011

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

The Statement of Changes in Equity is to be read in conjunction with the notes set on pages 5 to 29, forming an integral part of the financial statements.

1. Corporate information

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

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

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

The number of employees as of 31 December 2012 is 207; (31 December 2011: 206).

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are in accordance with Titan Group accounting and reporting requirements and are set out below. Titan Group is preparing its financial statements according to the International Financial Reporting Standards.

a. Basis of preparation

The financial statements have been prepared under the historical cost convention, except for investment in subsidiaries that have been measured at fair value. The presentation currency is Albania lek ("ALL") being also the functional currency and all values are rounded to the nearest thousand ('000 ALL) except when otherwise stated.

The financial statements have been prepared in accordance to the Group accounting policies which are based on the International Financial Reporting Standards. The purpose of the financial statements is to be used in connection and preparation of consolidated financial statements of Titan Cement Company S.A

The financial statements are the stand alone financial statements of the Company. The Company has two subsidiaries, Albaccmento Sh.p.k. and Cementi Antea SRL, in everyone of each owns 100 %. These subsidiaries are accounted for these financial statements at cost less any impairment in value.

Some prior year balances were reclassified for presentation purposes.

b. Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2012:

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Transfers of financial assets**
- **IAS 12 Income Taxes (Amended) – Deferred Tax: Recovery of Underlying Assets**

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

IFRS 7 - Disclosures - Transfers of financial assets (Amendment)
The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has only disclosure effects. The amendment has no effect on these financial statements.

2. Summary of significant accounting policies (continued)

b. Changes in accounting policy and disclosures Continued

IAS 12 Income Taxes (Amended) – Deferred Tax: Recovery of Underlying Assets
This amendment to IAS 12 includes a rebuttable presumption that the carrying amount of investment property measured using the fair value model in IAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. The amendment has no effect on these financial statements.

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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

- **IFRS 9 Financial Instruments - Classification and Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities using the FVO. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. 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 Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The 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.

- **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

2. Summary of significant accounting policies (continued)

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

- The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. The Company is in the process of assessing the impact of the project on the financial position or performance of the Company.

  - ***IAS 1 Financial Statement Presentation:*** Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. In addition, the opening statement of financial position (known as the third balance sheet) must be presented in the following circumstances: when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. However, unlike the voluntary comparative information, the related notes are not required to accompany the third balance sheet.
  - ***IAS 16 Property, Plant and Equipment:*** Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
  - ***IAS 32 Financial Instruments: Presentation:*** Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.
  - ***IAS 34 Interim Financial Reporting:*** Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

- **Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

The guidance is effective for annual periods beginning on or after 1 January 2013. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. The company is in the process of assessing the impact of the guidance on the financial position or performance of the Company.

2. Summary of significant accounting policies (continued)

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

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

The amendments are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted. The amendments apply to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The Company is in the process of assessing the impact of the guidance on the financial position or performance of the company.

d. Investments in subsidiary

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. The cost of an acquisition is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

e. Foreign currency translation

Transactions denominated in foreign currencies are recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Outstanding foreign currency monetary items at the balance sheet date are reported at the closing rate. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded in the period, are recognised as income or expenses for the period in which they arise.

f. Property, plant and equipment

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

Additions are recorded at cost. Cost represents the prices by suppliers together with all costs incurred in bringing new property, plant and equipment into use.
Items of property, plant and equipment that are retired or otherwise disposed of are eliminated from the balance sheet, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Depreciation of property, plant and equipment is designed to write off the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives. The principal depreciation rates in use are based on the useful life of each asset.
Estimated useful lives of every class of assets as follows:
Buildings and improvements - up to 40 years
Plant and machinery - up to 40 years
Motor vehicles - up to 15 years
Office furniture, computers - up to 10 years
Land is stated in the balance sheet at cost less impairment and is not depreciated as it is deemed to have an infinite life.

2. Summary of significant accounting policies (continued)

g. Financial instruments – initial recognition and subsequent measurement

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

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

The Company's financial assets include cash and short-term deposits, trade and other receivables, and short term loans.
Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

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

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

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.
Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. The Company did not have any held-to-maturity investments during the years ended 31 December 2012 and 2011.

2. Summary of significant accounting policies (continued)

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

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. The Company did not have any available-for-sale financial investments during the years ended 31 December 2012 and 2011.

Derecognition

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

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

Impairment of financial assets

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

(ii) Financial liabilities

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

2. Summary of significant accounting policies (continued)

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

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

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the income statement.
The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings

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

Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.
Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

h. Inventories

Inventories are valued at the lower of cost or net realizable value. Costs incurred in bringing each product to its present location and condition are accounted on the basis of purchase value of the goods and related overheads, cost being generally determined on the basis of a weighted average method.
Net realizable value is the estimated selling price in the ordinary course of the business, less estimated cost of completion and the estimated costs necessary to make the sale.

i. Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the trade receivable is impaired.
The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

2. Summary of significant accounting policies (continued)

j. Cash and cash equivalents

Cash and cash equivalents include cash in hand, the giro account and deposits held at call with banks with original maturities of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

k. Share capital

Ordinary shares are classified as equity.

l. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

l. Borrowings

Borrowings are recognized initially at fair value of consideration received net off transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the reporting date.

m. Taxation

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

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

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

n. Provisions

General

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.The provisions comprise of provision for retirement benefits and provision for rehabilitation of quarries. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2. Summary of significant accounting policies (continued)

o. Revenue

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

Sales of goods

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

Rendering of services

Fees from services provided are recognized over the period in which the services are rendered and accepted by the buyer.

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

p. Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

q. Subsequent events

Events after the reporting date, which provide evidence of conditions that exist as of the reporting date, are treated as adjustable events in these financial statements. Those that are indicative of conditions that arose after the reporting date have been treated as non-adjustable events.

r. Financial risk management

Accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provisions for environmental restoration

Companies that operate quarries and processing sites are required to restore these quarries and processing sites at the end of their producing lives to a condition that is in line with the prevailing environmental legislation of the country in which the Company operates (to plant an certain amount of trees within a period of 5 years), to the level acceptable to the relevant authorities and to the level that is consistent with the Company's environmental policies and practices.

The provision for environmental restoration reflects the present value of the expected future restoration costs that are expected to be incurred for the areas that have been disturbed at the reporting date. The provision is determined as present value of expected future cash outflows to be incurred for sites rehabilitation. This includes determination of the amount based on rehabilitation project, discount rate and expected inflation rates. The provision is re-measured at every reporting date and is adjusted to reflect the present value of the future expenses required to fulfil the obligation.

The present value of estimated restoration costs (that is, original estimation as well as changes in the accounting estimates) are charged to the income statement unless they relate to property, plant and equipment that is on the site, in which case the costs are included within property, plant and equipment and depreciated over the useful life of the related item of property, plant and equipment.

2. Summary of significant accounting policies (continued)

r. Financial risk management (continued)

Any change in the net present value of the environmental provision due to the passing of time is included in finance costs in the income statement.
Fair value of financial instruments

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

t. Comparatives

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

3. Revenue and expenses

3.1) Sales

	2012	2011
	ALL'000	ALL'000
Cement products	7.401.918	7.314.831
Clinker	-	237.727
Imported cement	45.143	70.592
Discounts	(262.604)	-
	7.184.457	**7.623.150**

A more detailed breakdown is provided below:

	2012	2011
	ALL'000	ALL'000
Gross sales		
Domestic market	4.751.392	5.465.736
Foreign market	2.695.669	2.157.414
Discounts	(262.604)	-
	7.184.457	**7.623.150**
Domestic market		
Income from Imported Cement	45,143	70.592
Income from Own Cement	4.706.249	5.349.088
Income from Clinker	-	46.056
Discounts	(262.604)	-
	4.488.788	**5.465.736**
Foreign market		
Income from Cement	2.695.669	1.965.743
Income from Clinker	-	191.671
Other	-	-
	2.695.669	**2.157.414**

3.2) Other Revenues

	2012 ALL'000	2011 ALL'000
Third party freight	146.646	59.303
	146.646	59.303

3.3) Cost of sales

	2012 ALL'000	2011 ALL'000
Variable Costs		
Distribution expenses	1.139.255	1.324.312
Kiln fuel	1.511.152	1.630.038
Electricity	934.726	682.673
Raw materials & Additives	432.528	539.143
Refractory	65.509	91.048
Fuel & oil	7.459	42.093
Royalty	38.336	11.228
Packing expenses	628.646	452.599
Cost of Imported Cement	39.888	62.047
Other items of Variable Cost	-	1.576
Fixed Costs		
Salaries and related expenses	273.407	213.055
Repair &Maintenance – spare parts	198.433	178.197
Services from Third Parties	208.074	158.394
Leasing Expenses	15.509	-
Plant utilities	14.192	26.955
Other fixed cost	23.031	32.320
Depreciation charges	718.910	722.421
Inventory Variation	210.660	35.836
	6.459.715	6.203.935

3.4) Other Operating Income

	2012 ALL'000	2011 ALL'000
Income from sold Materials	230.281	145.263
Income from sold Fixed Assets	27.036	-
Surplus of inventory	3.723	-
Other	21.315	2.823
	282.355	148.086

Revenues from sold materials in amount of ALL 90.810 thousand relates to pet-coke sold to companies in Albania.

3.5) Other operating expenses

	2012 ALL'000	2011 ALL'000
Cost of materials sold	222.999	94.265
Net Book Value of Sold Assets	21.311	1.105
Provision for bad debts, net	63.131	142.381
Restoration provision	21.046	-
Provision for Un-Used Vacations	10.000	-
Losses of Inventory	127	30.890
Other Expenses	7.488	61.587
	346.102	**330.228**

Movements in Provision for Bad Debts are shown in note 9.

3.6) Selling and Marketing Expenses

	2012 ALL'000	2011 ALL'000
Terminal Expenses	87.369	408.894
Sales commissions fees	456.264	102.504
Salaries and related expenses	41.452	38.678
Utilities	33.360	18.127
Other expenses	5.496	29.617
	623.941	**597.820**

Sales Commission fees relates to the agency arrangements that the company has for the sales of the cement in the market.

3.7) Administrative expenses

	2012 ALL'000	2011 ALL'000
Salaries and related expenses	66.464	137.701
Consultancy fees	133.580	163.475
Utilities	32,965	37.965
Travel-entertainment	23.673	35.200
Audit Fees	4.797	5.100
Repairs & Maintenance	15.729	20.396
Insurance & Taxes	19.100	18.094
Supplies	89.837	77.910
Depreciation	62.514	62.819
Amortization	4.053	2.798
Other Expenses	24.980	28.650
	477.692	**590.108**

3.8) Employee benefits expense

	2012	2011
	ALL'000	ALL'000
Gross Salaries	237.306	245.658
Other Related Expenses	144.017	143.776
	381.323	**389.434**

3.9) Finance Income/Cost

	2012	2011
	ALL'000	ALL'000
Finance Income		
Interest Income	21.786	8.652
Foreign Exchange Gain	513.778	773.669
Finance Income	**535.564**	**782.321**
Finance Cost		
Interest Expenses	(923.162)	(904.591)
Other Financial Costs	(69.526)	-
Bank Charges	(8.214)	(17.910)
Foreign Exchange Losses	(526.367)	(877.549)
Finance Cost	**(1.527.269)**	**(1.800.050)**

4. Income tax

The income tax expense comprises of:

	2012	2011
	ALL'000	ALL'000
Current income tax charge	-	-
Deferred Tax (Charge)/ benefit	(149.308)	(276.667)
	(149.308)	(276.667)

A reconciliation of income tax expense applicable to profit from operating activities before income tax at the statutory income tax rate to Company's effective income tax rate for the period ended

4. Income tax (continued)

	2012 ALL'000	2011 ALL'000
Accounting profit before income tax	(1.285.697)	(909.281)
Income tax expense at statutory rate of 10% for 2012 (2011:10%)	(128.570)	(90.928)
Expenses not deductible for tax purposes	(19.458)	(19.086)
Revenue not subject to tax - reversals	2.105	73
Impairment of Bad debts	(6.313)	(14.311)
Tax Depreciations	622.176	467.814
Provisions for forestation	(1.000)	-
Other items /loses previous years/	(319.632)	(66.895)
Income tax expense	149.308	276.667

4.1 Deferred Tax

Deferred income tax at 31 December 2012 and 31 December 2011 relates to the following:

	Balance sheet		Income statement	
	2012 ALL'000	2011 ALL'000	2012 ALL'000	2011 ALL'000
Deferred tax assets				
Restoration Provision	570	2.674	2.104	1.229
Allowance for Un-Used Leaves	1.000		(1.000)	
Impairment of Receivables	24.016	17.857	(6.159)	(12.689)
Write down of inventory	-	-	-	-
	25.586	20.531	(5.055)	(11.460)
Deferred tax liabilities				
Accelerated depreciation/amortization for tax purposes	(622.176)	(467.813)	(154.363)	(288.127)
	(622.176)	(467.813)	(154.363)	(288.127)
Deferred income tax incomes (losses)	(596.590)	(447.282)	(149.308)	(276.667)

5. Property, plant and equipment

	Land and improvements	Buildings	Plant and machinery	Vehicles	Furniture and Fittings	Electronic Equipments	Assets under construction	Total
Cost	ALL'000	ALL'00	ALL'000	ALL'000	ALL'000	ALL'000	ALL'000	ALL'000
At 31 December 2010	2.557.156	1.604.640	18.877.576	16.651	21.555	165.355	52.792	23.295.725
Additions	142.518	-	17.194	6.080	1.940	3.119	44.507	215.358
Transfers	-	42.625	-	-	-	-	(42.625)	-
Disposals	-	-	-	-	-	-	(6.072)	(6.072)
At 31 December 2011	2.699.674	1.647.265	18.894.770	22.731	23.495	168.474	48.602	23.505.011
Additions	-	2.584	18.457	-	1.488	5.612	207.946	236.087
Transfers	-	-	31.343	-	-	-	(31.343)	-
Disposals	-	-	(67.902)	(1.759)	-	-	(4.083)	(73.744)
At 31 December 2012	2.699.674	1.649.849	18.876.668	20.972	24.983	174.086	221.122	23.667.354
Depreciation and impairment:								
At 31 December 2010	23.782	17.573	396.729	3.680	5.772	10.513	-	458.049
Depreciation charge for the year	62.791	41.229	654.852	3.859	3.678	18.831	-	785.240
Disposals	-	-	-	-	-	-	-	-
At 31 December 2011	86.573	58.802	1.051.581	7.539	9.450	29.344	-	1.243.289
Depreciation charge for the year	63.957	41.537	647.997	3.868	4.067	19.997	-	781.423
Disposals	-	-	(26.328)	(1.466)	-	-	-	(27.794)
At 31 December 2012	150.530	100.339	1.673.250	9.941	13.517	49.341	-	1.996.918
Net book value								
At 31 December 2012	2.549.144	1.549.510	17.203.418	11.031	11.466	124.745	31.425	21.670.436
At 31 December 2011	2.613.101	1.588.463	17.843.189	15.192	14.045	139.130	24.677	22.261.722
At 31 December 2010	2.533.374	1.587.067	18.480.847	12.971	15.783	154.842	52.792	22.837.676

Included under assets under constructions there are included strategic spare parts amounting to Lek 189.697 thousand (31 December 2010; Lek 23.925 thousand).

6. Intangible assets

	Computer software	Intangible CIP	Total
Cost:			
At 31 December 2010	**13.030**	-	**13.030**
Additions	11.524	1.955	**13.479**
At 31 December 2011	**24.554**	**1.955**	**26.509**
Additions	3.486	14.062	**17.548**
At 31 December 2012	**28.040**	**16.017**	**44.057**
Amortization:			
At 31 December 2012	**1.520**	-	**1.520**
Amortization charge for the year	2.798	-	**2.798**
			0
At 31 December 2011	**4.318**	-	**4.318**
Amortization charge for the year	4.053	-	**4.053**
At 31 December 2012	**8.371**	-	**8.371**
Net book value:			
At 31 December 2012	**19.669**	**16.017**	**35.686**
At 31 December 2011	**20.236**	**1.955**	**22.191**

7. Investments in subsidiary

	2012 ALL'000	2011 ALL'000
ALBACEMENTO Shpk	756.766	756.766
CIMENTI ANTEA SRL	181.205	181.205
	937.971	**937.971**

8. Inventories

	2012 ALL'000	2011 ALL'000
Raw materials (cost)	411.133	355.494
Spare Parts (at cost)	640.004	725.542
Packing materials (at cost)	62.077	39.162
Semi-finished goods (at cost)	130.345	175.213
Finished goods (at cost)	134.475	180.338
Goods for resale (at cost)	10.959	10.095
Other materials (at cost)	2.991	2.783
	1.391.984	**1.488.627**

9. Trade receivables

	2012 ALL'000	2011 ALL'000
Trade receivables	1.421.192	1.475.055
Less: Provision for impairment	(240.164)	(178.574)
Trade Receivables Net	**1.181.028**	**1.296.481**

Movements in the allowance for doubtful accounts are as follows:

	2012 ALL'000	2011 ALL'000
Balance at 1 January	178.574	51.682
Impairment Charge for the Year	63.131	142.381
Write off of Receivables	(1.541)	(15.489)
Balance	**240.164**	**178.574**

As at 31 December 2012, the aging analysis of trade receivables is as follows:

	Total	Neither past due or impaired	Past due but not impaired					
			< 30 days	30-60 days	60-90 days	90-180 day	>180 days	>360 days
2012	**1.421.192**	353.943	236.136	154.613	117.151	191.832	156.848	210.669
2011	**1.475.055**	669.508	177.559	130.837	88.136	134.225	247.132	27.658

10. Other receivables

	2012 ALL'000	2011 ALL'000
VAT receivables	2.318.462	2.427.971
Income tax receivables	-	791
Sundry debtors	1.121	247
Prepayments for supplies	12.377	11.024
Deferred expenses	16.618	10.267
	2.348.578	**2.450.300**

Included in VAT receivables in 2012 there is an amount of LEK 2.077.287 thousand related to approved by Tax Authorities VAT for reimbursement derived from investment activities during 2007 – 2010. During 2012 was reimbursed by the State ALL 170.000 thousand (31 December 2011:ALL 130.000 thousand) and compensated with due to be paid Personal Income taxes, Social/Health compensations, Royalty, WHT - ALL 152.009 thousand (31 December 2011: ALL 127.231 thousand).

11. Cash and cash equivalents

	2012 ALL'000	2011 ALL'000
Cash in hand Denominated in Lek	487	42
Cash in hand Denonimated in Foreign Currency	528	509
Cash at Bank Denominated in Lek	759.436	499.913
Cash at Bank Denominated in Foreign Currency	137.774	151.171
	898.225	651.635

12. Issued Capital

	2012			2011		
Authorized, Issued and fully paid	*Number of shares*	*% Holding*	*Face Value in ALL' 000*	*Number of shares*	*% Holding*	*Face Value in ALL' 000*
ALVACIM ltd –ordinary shares of ALL 2,000 each	3.205.953	60%	6.411.906	2.305.953	60%	4.611.906
EBRD-ordinary shares of ALL 2,000 each	1.068.651	20%	2.137.302	768.651	20%	1.537.302
IFC-ordinary shares of ALL 2,000 each	1.068.651	20%	2.137.302	768.651	20%	1.537.302
	5.343.255	100%	10.686.510	3.843.255	100%	7.686.510

In June 2012 ANTEA's share capital was increased with additional 1 500 000 shares with face value 2000 Lek per share. Additional shares were split between shareholders on the ratio 60:20:20.

13. Borrowings

a) Long term borrowings

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

	2012 ALL'000	2011 ALL'000
Alvacim ltd	7.158.415	7.002.072
EBRD	2.386.138	2.334.024
IFC	2.386.138	2.334.024
Euro Bank EFG	488.565	486.255
Societe General - Paris	3.229.345	3.820.575
Societe General - Albania	520.217	546.160
BKT	1.850.000	1.850.000
Raiffeisen Bank	2.124.000	2.124.000
	20.142.818	20.497.110

13. Borrowings (Continued)

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

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

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

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

During 2012 the Company has repaid Long-Term loans as follows:

During 2012 the company repaid two installments to the Societe Generale Bank amounting to EUR 1.310 thousand or ALL 1.906.514 thousand.

Subsequent to share capital increase in June 2012 the Company paid to Alvacim all calculated accrued interest and front fees until 15 March 2012 amounting to EUR 5.063 thousand or ALL 700.066.875 thousand.

The accrued interest on Long term loans from ALVACIM, EBRD and IFC as of 15 September 2012, including the additional interest on the consolidated EBITDA for the year ended 31 December 2011 were capitalized in principal of these loans, as follows: ALVACIM – EUR 881.715, EBRD – EUR 293.905, IFC – EUR 293.905.

b) Short term borrowings

	2012	2011
	ALL'000	ALL'000
Alvacim Accrued Interest	41.611	586.408
Alvacim Front and Fee	-	70.021
EBRD Accrued Interest	13.870	22.368
EBRD Front End Fee	-	-
IFC Accrued Interest	13.870	22.366
IFC Front End Fee	-	-
Societal Generale Principal	426.517	
Societal Generale Accrued Interest	8.101	7.566
Banka Popullore Principal	25.943	
Banka Popullore Accrued Interest	25.548	26.424
BKT Accrued Interest	11.713	13.289
Raiffeisen Bank Accrued Interest	842	934
	568.015	**749.276**

13. Borrowings (Continued)

c) Related Parties Borrowings

	2012 ALL'000	2011 ALL'000
TGF Loan	-	1.300.385
TGF Loan Accrued Interest	-	2.571
TGF Loan Front end Fee	-	938
	-	1.303.894

During 2012 the company received and additional Euro 3 Million short term Loan from Titan Global Finance which was repaid in June after share capital increase. Toward the end of the year the loan from TGF was repaid in full amounting to Euro 9.360 thousand.

14. Re-forestation Provision

	2012 ALL'000	2011 ALL'000
At 1 January	26.743	39.026
Increase in Provison during the year	-	-
Utilised Provision	(21.046)	(12.283)
	5.697	26.743

According to the law 9793 dated 23 July 2007 the Company has an obligation to plant 250 ha or 500.000 trees as a compensation for the areas in which the Company has de-forested for building the plant and two quarries. This obligation has to be fulfilled within a period of 5 years during 2010-2013.

15. Trade Payables

	2012 ALL'000	2011 ALL'000
Trade creditors third Parties	872.345	609.108
Accruals for Supplies	105.903	61.379
	978.248	670.487

16. Other Payables

	2012 ALL'000	2011 ALL'000
Client's Advance Payments	18.350	12.944
Social security	4.301	4.030
Payroll taxes	2.926	2.641
Other Taxes	12.928	1.053
Current Provision Unused holidays	10.000	-
Other Payables	4.519	5.458
	53.024	26.126

17. Related party transactions

a) Sales of goods and services

	2012 ALL'000	2011 ALL'000
TCK Montenegro (cement)	134.676	188.213
Alexandria Portland Cement (APCC) –(clinker)	-	138.415
Fintitan Italy (cement)	-	1.136.417
Cementi Antea (cement)	539.134	218.284
Sharr Cem – (fixed assets, services)	24.680	-
Titan Cement (services)	4.269	32.251
	702.759	1.713.580

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

b) Receivables from related parties

	2012 ALL'000	2011 ALL'000
Albacemento Shpk	20.811	71.561
TCK Montenegro	1.618	20.552
Fintitan Italy	-	78.912
Cementi Antea	375.342	199.752
	397.771	370.777

c) Purchases of goods and services

	2012 ALL'000	2011 ALL'000
Titan Cement Company Goods	37.073	53.333
Titan Cement Company Services	204.880	510.646
Alba Cemento – Rents	27.604	25.314
Albacem – Rents	77.238	64.951
Usje Cementarnica AD – Skopje	-	1.915
Zlatna Panega (Cement)	443	2.472
Beni Suef, Egypt (services)	-	150
SHAR CEM (services)	299.566	-
	642.854	658.631

The major purchases from related parties relate as follows: Titan Cement Company for Management Services and Sharrcem for sales services in Kosovo.

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

17. Related party transactions (Continued)

d) Payables to related parties

	2012 ALL'000	2011 ALL'000
Titan Cement Company	13.246	929.469
Albacem SA	-	122.453
Beni Suef, Egypt	-	150
Shar Cem	232.432	-
	245.678	**1.051.072**

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

18. Financial risk management objectives and policies

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

The main risks arising from the Company's financial instruments are liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks which are summarized below.

a) Interest risk

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

b) Foreign exchange risk

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

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities .The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2012 and 2011, based on contractual undiscounted payments.

Year ended 31 December 2012 (In 000 ALL)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Long Term Borrowings	-	-	-	11.328.446	8.814.372	**20.142.818**
Short Term Borrowings	-	258.755	309.260	-	-	**568.015**
Trade and other Payables	-	975.632	773.323	-	-	**1.748.685**

18. Financial risk management objectives and policies (Continued)

Year ended 31 December 2011 (in 000 ALL)

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Long Term Borrowings	-	-	-	8.826.990	11.670.120	**20.497.270**
Short Term Borrowings	-	751.945	1.301.325	-	-	**2.053.270**
Trade and other Payables	-	905.540	843.145	-	-	**1.748.685**

d) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any one customer. In addition, to reduce this risk the Company has required as collateral bank guaranties and deposits. Recognisable risks are accounted for by adequate provisions on receivables.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and short term borrowing receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

20. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following shareholders' approval. No changes were made in the objectives, policies or processes during the year ended 31 December 2011 and the current year 2012.

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

21. Commitments and contingencies

a) Commitments

	2012 ALL'000	2011 ALL'000
Within one Year	116.853	118.105
After one but not more than five years	392.264	321.215
More than five years	-	80.640
	509.117	**519.960**

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

As at 31 December 2012 the Company is committed to an operational lease contract which grants to the Company rights to use land against an annual rent payment of amount Euro 24 thousand. The rent period is for 30 years, started from 2011.

b) Taxation

As it is explained in note 4 to the financial statements, the tax authorities have not audited the Company's books and records for the fiscal year 2012 in respect of the income tax, and consequently, the Company's taxes may not be considered finalized. Additional taxes that may be levied in the event of a tax audit cannot be determined with any reasonable accuracy.

In respect of the VAT the company books have been audited till April 2011 and the amount of Lek 2.344.360 thousand has been confirmed as VAT to be reimbursed to the company from the Tax Authority. At 31 December 2012 the outstanding amount is ALL 2.077.106 thousand (31 December 2011: ALL 2.399.296 thousand).

22. EBITDA

	2012 ALL'000	2011 ALL'000
Profit/loss/ from operating activities	(293.992)	108.448
Depreciation-Amortization	785.500	788.038
	491.508	**896.486**

23. Events after the balance sheet date

No any significant events have been identified after the balance sheet date that may influence the financial statements.