SharrCem SH.P.K. Hani i Elezit

Financial statements

For the year ended

31 December 2012

with Independent auditor's report

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Ernst & Young Certified Auditors Ltd ·
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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 iElezit ("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 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 present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

ERNST & YOUNG

Emphasis of matter

Without qualifying our opinion, we draw attention to note 13 to the financial statements, which indicates that 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 2010, the Branch's books and records for the period from 1 January 2005 to 31 December 2009 were audited by the tax authorities. 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 based on expert advice, expects that the final outcome would be favourable for the Company.

Ernst & Young Certified Auditors Ltd. - Kosovo,
Prishtinë, 12 February 2013

Statement of financial position

As at 31 December 2012

Assets			
Property, plant and equipment	*14*	42,519,122	39,343,571
Intangible assets		16,489	-
Total non-current assets		**42,535,611**	**39,343,571**
Inventories	*15*	6,021,286	5,679,105
Trade and other receivables	*16*	3,987,290	1,499,945
Loans given		-	5,500,000
Advances given and prepayments		180,780	237,850
Current tax asset		1,043,392	1,742,147
Cash and cash equivalents	*17*	10,668,749	1,115,650
Total current assets		**21,901,497**	**15,774,697**
Total assets		**64,437,108**	**55,118,268**
Equity			
Owner's capital		6,201,001	6,201,001
Retained earnings		53,537,951	42,999,709
Total equity		**59,738,952**	**49,200,710**
Liabilities			
Deferred tax liabilities	*13*	147,447	68,334
Total non-current liabilities		**147,447**	**68,334**
Trade and other payables	*19*	3,841,642	4,903,545
Income tax payable		375,435	212,733
Advances received		27,040	28,103
Provision for litigation	*20*	-	350,000
Provision for site restoration	*20*	306,592	354,843
Total current liabilities		**4,550,709**	**5,849,224**
Total liabilities		**4,698,156**	**5,917,558**
Total equity and liabilities		**64,437,108**	**55,118,268**
Total equity and liabilities		**64,437,108**	**55,118,268**

The financial statements and the notes set out on pages 7 to 40 were authorised for issue by the directors of SharrCem SH.P.K., Hani i Elezit on 31 January 2013 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 2012

In Euro	Notes	31 December 2012	31 December 2011
Revenue	*7*	37,997,808	24,848,806
Cost of sales	*8*	(24,514,490)	(16,567,597)
Gross profit		**13,483,318**	**8,281,209**
Other operating income	*9*	912,163	68,176
Administrative expenses	*10*	(1,338,736)	(776,719)
Selling Expenses	*11*	(218,071)	(127,823)
Other operating expenses		(27,346)	(320,000)
Operating profit		**12,811,328**	**7,124,843**
Finance income		123,675	78,956
Finance cost		(58,649)	(124,810)
Net finance cost	*12*	**65,026**	**(45,854)**
Profit before tax		**12,876,354**	**7,078,989**
Income tax expense	*13*	(1,338,112)	(1,022,286)
Profit for the year		**11,538,242**	**6,056,703**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**11,538,242**	**6,056,703**

The notes on pages 7 to 40 are an integral part of these financial statements

Statement of changes in equity

For the year ended 31 December 2012

In Euro	Owner's capital	Retained earnings / IFRS	Accumulated profit	Total
As at 1 January 2011	1,001	29,885,092	-	29,886,093
Profit or loss	-	-	6,056,701	6,056,701
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	6,056,701	6,056,701
Increase of the owner's capital	6,200,000	-	-	6,200,000
Transfer	-	-	-	-
Transfer from the Branch	-	-	7,057,916	7,057,916
Total contributions by and distributions to the owners of the Company	6,200,000	-	7,057,916	13,257,916
At 31 December 2011	6,201,001	29,885,092	13,114,617	49,200,710
As at 1 January 2012	6,201,001	29,885,092	13,114,617	49,200,710
Profit or loss	-	-	11,538,242	11,538,242
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	11,538,242	11,538,242
Dividends (Note 18)	-	-	(1,000,000)	(1,000,000)
At 31 December 2012	6,201,001	29,885,092	23,652,859	59,738,952

Statement of cash flow

For the year ended 31 December 2012 *In Euro*	*Note*	**31 December 2012**	**31 December 2011**
Cash flows from operating activities			
Profit before tax		11,538,242	6,056,703
Adjustments for:			
Depreciation and amortisation		2,492,915	2,408,970
(Gains) from sales of PPE		(570)	(21,218)
Write off liabilities	*9*	(136,453)	-
Release of provision for litigations	*9*	(350,000)	-
Release of provision for obsolete inventory	*9*	(144,731)	-
Interest income	*12*	(123,675)	(78,956)
Interest expenses	*12*	58,649	85,038
Income tax expense	*13*	1,338,112	1,022,286
		14,672,489	9,472,823
Change in inventories		(197,450)	(1,352,058)
Change in trade and other receivables		(2,430,289)	1,628,555
Change in trade and other payables		(926,497)	(383,347)
Change in provisions		(48,251)	(442,277)
Cash generated from operating activities		**11,070,002**	**8,923,696**
Interest paid		(58,649)	(85,038)
Income tax paid		(397,542)	(741,219)
Net cash from operating activities		**10,613,811**	**8,097,439**
Cash flows from investing activities			
Interest received		123,675	78,956
Purchase of property, plant and equipment		(5,684,957)	(10,676,232)
Proceeds from sale property, plant and equipment		570	21,218
Loans given to associates		-	(5,500,000)
Proceeds from loans given to associates		5,500,000	-
Net cash used in investing activities		**(60,712)**	**(16,076,058)**
Cash flows from financing activities			
Dividends paid		(1,000,000)	-
Increase of owners capital		-	6,200,000
Net cash from financing activities		**(1,000,000)**	**6,200,000**
Net decrease in cash and cash equivalents		9,553,099	(1,778,619)
Effect of merger		-	2,894,269
Cash and cash equivalents at 1 January		1,115,650	-
Cash and cash equivalents at 31 December	*17*	**10,668,749**	**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 iElezit, 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 EUR 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 EUR 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 EUR 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 for the period before 31 December 2011.

(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)

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for thefollowing amendments to IFRS effective as of 1 January 2012:

- *IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets*
- *IFRS 1 First -Time Adoption of International Financial Reporting Standards (Amendment- Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters IFRS 7 Financial Instruments: Disclosures (Amendments)*
- *IFRS 7 Financial Instruments : Disclosures - Enhanced Derecognition Disclosure Requirements*

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) - Deferred Taxes: Recovery of Underlying Assets
The amendment clarified the determination of deferred tax on investment property measured at fair value andintroduces a rebuttable presumption that deferred tax on investment property measured using the fair valuemodel in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Itincludes the requirement that deferred tax on non-depreciable assets that are measured using the revaluationmodel in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periodsbeginning on or after 1 January 2012 and has been no effect on the Company's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – SevereHyperinflation and Removal of Fixed Dates for First-Time Adopters
The IASB provided guidance on how an entity should resume presenting IFRS financial statements when itsfunctional currency ceases to be subject to hyperinflation. The amendment is effective for annual periodsbeginning on or after 1 July 2011. The amendment had no impact to the Company.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but notderecognized to enable the user of the Company's financial statements to understand the relationship with thoseassets that have not been derecognized and their associated liabilities. In addition, the amendment requiresdisclosures about the entity's continuing involvement in derecognized assets to enable the users to evaluate thenature of, and risks associated with, such involvement. The amendment is effective for annual periodsbeginning on or after 1 July 2011. The Company does not have any assets with these characteristics so there hasbeen no effect on the presentation of its financial statements.

(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 accompanying disclosure of contingent liabilities at the end of the reporting period. Uncertainty 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.

Notes to the financial statements

2. Basis of preparation (continued)

(b) Significant accounting judgements, estimates and assumptions (continued)

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. The Company based its assumptions and estimates on the parameters available when the financial statements were prepared. 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.

Contingent liabilities
The existence of contingent liabilities requires from management making assumptions and estimates continuously related to the possibility that future events may or may not occur as well as the effects that those events may have on the activities of the Company.

3. Summary of significant accounting policies

The following are the accounting policies applied by the Company in preparing its financial statements.

(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. Differences arising on settlement or translation of monetary items are recognized in the profit or loss. 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 directly attributable transaction costs, except in the case of investments not at fair value through profit or loss. 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.

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

Notes to the financial statements

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

(i) Financial assets (continued)

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 2012 and 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 from the available-for-sale reserve to the income statement in finance costs. The Company did not have any available-for-sale financial investments during the year ended 31 December 2012 and 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.

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.

Notes to the financial statements

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

***(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, in the case of loans and borrowings, net of 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.

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.

Notes to the financial statements

3. Significant accounting policies (continued)

(b) Financial instruments (continued)

***(ii)* Financial liabilities**

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position ifthere 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) Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and/ or any accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be finite, as follows:

- Computer software up to 5 years

Intangible assets with finite lives are amortized over the useful economic and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible asset with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible.

Gains or losses arising from de- recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amountof the asset and are recognized in income statement when the asset is de-recognized.

(d) 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*.
- 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

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

(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.

(e) 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.

Notes to the financial statements

3. Significant accounting policies (continued)

(f) 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.

(g) 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.

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.

(h) 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.

Notes to the financial statements

3. Significant accounting policies (continued)

(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.

(i) 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 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.

(j) 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.

(ii) Rendering services

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

(k) 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.

Notes to the financial statements

3. Significant accounting policies (continued)

(k) Finance income and finance costs (continued)

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.

(l) 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.

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

(l) Taxes (continued)
Notes to the financial statements

3. Significant accounting policies (continued)

(l) Taxes (continued)

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.

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. Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- **IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1**
  The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Itemsthat could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedgeof net investment, exchange differences on translation of foreign operations, net movement on cash flow hedgesand net loss or gain on available-for-sale financial assets) would be presented separately from items that willnever be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of landand buildings). The amendment affects presentation only and has no impact on the Company's financial position orperformance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and willtherefore be applied in the Company's first annual report after becoming effective.

Notes to the financial statements

4. Standards issued but not yet effective (continued)

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

- **IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)**
  As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities,IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, anddescribes the application of the equity method to investments in joint ventures in addition to associates. Therevised standard becomes effective for annual periods beginning on or after 1 January 2013.The Company is in the process of assessing the impact of this amendment on the financial position or performance of the Company.

- **IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32**
  These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendmentsalso clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing housesystems) which apply gross settlement mechanisms that are not simultaneous. These amendments are notexpected to impact the Company's financial position or performance and become effective for annual periodsbeginning on or after 1 January 2014.

- **IFRS 1 Government Loans – Amendments to IFRS 1**
  These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for GovernmentGrants and Disclosure of Government Assistance, prospectively to government loans existing at the date oftransition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initiallyaccounting for that loan. The exception would give first-time adopters relief from retrospective measurement ofgovernment loans with a below-market rate of interest. The amendment is effective for annual periods on orafter 1 January 2013. The amendment has no impact on the Company.

- **IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7**
  These amendments require an entity to disclose information about rights to set-off and related arrangements(e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluatingthe effect of netting arrangements on an entity's financial position. The new disclosures are required for allrecognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation.The disclosures also apply to recognised financial instruments that are subject to an enforceable master nettingarrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. Theseamendments will not impact the Company's financial position or performance and become effective for annualperiods beginning on or after 1 January 2013.

Notes to the financial statements

4. Standards issued but not yet effective (continued)

- **IFRS 9 Financial Instruments: Classification and Measurement**
  IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies toclassification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard wasinitially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatoryeffective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairmentof financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification andmeasurement of the Group's financial assets, but will not have an impact on classification and measurements offinancial liabilities. The Company will quantify the effect in conjunction with the other phases, when the finalstandard including all phases is issued.

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**
  IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses theaccounting for consolidated financial statements. It also addresses 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. Thechanges introduced by IFRS 10 will require management to exercise significant judgement to determinewhich entities are controlled and therefore are required to be consolidated by a parent, compared with therequirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.The Company is in the process of assessing the impact of this amendment on the financial position or performance of the Company.

- **IFRS 11 Joint Arrangements**
  IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetaryContributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) usingproportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted forusing the equity method.

- **IFRS 12 Disclosure of Interests in Other Entities**
  IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financialstatements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. Thesedisclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.A number of new disclosures are also required, but has no impact on the Company's financial position orperformance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

- **IFRS 13 Fair Value Measurement**
  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does notchange when an entity is required to use fair value, but rather provides guidance on how to measure fair valueunder IFRS when fair value is required or permitted. The Company is currently assessing the impact that thisstandard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Notes to the financial statements

4. Standards issued but not yet effective (continued)

- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during theproduction phase of the mine. The interpretation addresses the accounting for the benefit from the strippingactivity. The interpretation is effective for annual periods beginning on or after 1 January 2013.

- **Annual Improvements May 2012**

  These improvements will not have an impact on the Group, but include:

  IFRS 1 First-time Adoption of International Financial Reporting Standards
  This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, toapply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restateits financial statements as if it had never stopped applying IFRS.

  IAS 1 Presentation of Financial Statements
  This improvement clarifies the difference between voluntary additional comparative information and theminimum required comparative information. Generally, the minimum required comparative information is theprevious period.

  IAS 16 Property Plant and Equipment
  This improvement 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
  This improvement clarifies that income taxes arising from distributions to equity holders are accounted for inaccordance with IAS 12 Income Taxes.

  IAS 34 Interim Financial Reporting
  The amendment aligns the disclosure requirements for total segment assets with total segment liabilities ininterim financial statements. This clarification also ensures that interim disclosures are aligned with annualdisclosures.

  These improvements are effective for annual periods beginning on or after 1 January 2013.

5. 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.

(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

5. Determination of fair values (continued)

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.

6. 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.

(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.

Credits limits are established for each customer, which represent the maximum open amount, upon approval from the Managing Director. These limits are reviewed monthly in sales department and finance department.

Notes to the financial statements

6. Financial risk management (continued)

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 general 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 EUR10,668,749 as at 31December 2012 (31 December 2011: EUR 1,115,650) which represents its maximum credit exposure on these assets. The cash and cash equivalents are held in well-known domestic and foreign banks.

(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. 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.

(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

Notes to the financial statements

6. Financial risk management (continued)

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 is not involved in hedging activities.

(d) 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 12**
EBITDA	15,304,244

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.

7. Revenue

In Euro	**31 December 2012**	**31 December 2011**
Sales of goods & servises	37,997,808	24,848,806
	37,997,808	**24,848,806**

8. Cost of Sales

In Euro	31 December 2012	31 December 2011
Variable		
Kiln fuel	3,609,480	6,174,205
Electricity power	1,511,842	1,543,075
Purchased Clinker	4,946,609	1,528,368
Raw Materials	1,708,544	489,456
Fuel and oil	137,438	69,021
Refractory	493,463	28,853
Grinding media	179,799	167,089
Other variable costs	618,835	824,078
Total variable cost	**13,206,011**	**10,824,145**
Fixed		
Salaries	3,633,253	1,942,658
Maintenance spare parts	688,050	246,605
Third parties services	973,564	641,627
Other plan utilities	41,294	27,031
Insurance and taxes	26,600	5,350
Other fixed costs	286,427	127,402
Total fixed cost	**5,649,188**	**2,990,673**
Inventory (Increase)	**(450,974)**	**(1,159,680)**
Depreciation	**2,465,366**	**2,380,754**
Packing&Distribution	**2,648,534**	**1,531,705**
Cost of Trading Goods	**996,364**	**-**
Cost of Goods Sold	**24,514,490**	**16,567,597**

8a. Distribution & Packing expenses

In Euro	31 December 2012	31 December 2011
Packing Expenses		
Bags and wrapping materials	708,262	887,133
Pallets	614,519	-
Fuel & Oil	16,940	19,324
Electricity	111,104	54,683
Consumables	5,136	770
Maintenance & spare parts	88,811	66,225
Salaries & related expenses	349,674	193,685
Third parties labour maintenance	10,307	11,652
Outsourced packing activities	84,636	-
Other cost center expenses	114,634	69,598
Total packing cost	**2,104,023**	**1,303,070**
Distribution Expenses	**544,511**	**228,635**
Total packing and distribution	**2,648,534**	**1,531,705**

9. Other operating income

In Euro	31 December 2012	31 December 2011
Release of provision for obsolete inventories	144.731	-
Revenues from sold pallets	136.453	-
Scrap sales	280.409	43.960
Reversal of provision for litigation (Note 21)	350.000	-
Gain on disposal of property, plant and equipment	570	24.216
	912.163	**68.176**

10. Administrative expenses

In Euro	31 December 2012	31 December 2011
Salaries	284,846	144,393
Social Security	15,834	7,753
Overtime	11,173	4,954
Staff Benefits	100,162	46,438
Training	4,369	1,378
Other staff related expenses	98	408
Audit Fees (Other Companies)	41,563	42,115
Legal / Notary Fees & Related Expenses	105,292	117,389
Consulting Fees (Other Companies)	11,628	2,880
Other Professional Fees & Related Expense	8,480	3,931
Car Fuel Expenses	35,879	21,502
Travelling Expenses	174,823	91,310
Building Utilities (Electricity, Fuels & Water, Other Utilities)	15,517	33,576
Building Insurance	74,738	43,777
Software Maintenance	-	25,199
IT Materials	54,071	5,870
Donations	195,274	52,950
Advertising & promotion	4,120	-
Other taxes	58,820	64,463
Other Administrative Expenses	121,596	38,216
Depreciation	20,453	28,217
	1,338,736	**776,719**

11. Selling expenses

In Euro	31 December 2012	31 December 2011
Salaries	134,447	72,377
Social Security	8,385	4,394
Overtime	15,104	9,151
Staff Benefits	13,570	8,479
Car Fuel Expenses	10,280	4,636
Travelling Expenses	3,532	1,235
Building Utilities (Electricity, Fuels & Water, Other Utilities)	12,384	4,956
Building Insurance	2,368	600
Advertising, Promotion, Sponsorship, Publications and Conferences	7,116	13,481
Other Selling Expenses	3,790	8,514
Depreciation	7,095	-
	218,071	**127,824**

12. Finance income and finance costs

In Euro	31 December 2012	31 December 2011
Interest income	123,675	78,956
Finance income	**123,675**	**78,956**
Interest expense and bank charges	(58,649)	(124,810)
Finance costs	**(58,649)**	**(124,810)**
Net finance income recognised in profit or loss	**65,026**	**(45,854)**

13. Income tax expense

In Euro	31 December 2012	31 December 2011
Current tax expense		
Current period	1,258,999	953,952
	1,258,999	**953,952**
Deferred tax income		
Origination of temporary differences	79,113	68,334
	79,113	**68,334**
Total income tax expense	**1,338,112**	**1,022,286**

13. Income tax expense (continued)

Reconciliation of effective tax rate

In Euros	31 December 2012	31 December 2011
Profit before tax of the Company for the year	12,876,354	-
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	12,876,354	9,828,823
Tax at nominal tax rate 10 %	1,287,635	982,882
Tax adjustments for		
Land Depletion	-	33,313
Penalties	2,800	37
Incentive on purchase of new machinery	(67,900)	(6,011)
Deference in depreciation	(87,800)	(89,864)
Other	124,263	33,595
Tax at effective tax rate of 9.7% (2011: 9.7%)	**1,258,999**	**953,952**

Deferred Tax

	As at 1 January 2012	Recognised in profit or loss	Recognised in equity	As at 31 December 2012
2011				
Accelerated depreciation of property, plant and equipment for tax purposes	-	68,334	-	68,334
	-	**68,334**	-	**68,334**
2012				
Accelerated depreciation of property, plant and equipment for tax purposes	68,334	79,114	-	147,447
	68,334	**79,114**	-	**147,447**

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.

13. Income tax expense (continued)

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 EUR 1,344,931 (including the EUR 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.

In 2011 the Branch has paid the additional income tax excluding penalty of EUR 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 EUR 1,344,931 less penalty of EUR 363,699 was recognised in the financial statements of the Company for the year ended 31 December 2012 and 31 December 2011.

The Branch's books and records for the period from 1 January 2010 to 31 December 2010 were audited by the tax authorities. The tax audit was concluded on 20 February 2012. The results of the audit derived based on the evidences taken in compliance with the laws that are applicable in Kosovo. According to these results the company was refunded the amount of EUR 628,318.41, while the requested for refunding amount was EUR 698,753.95. The difference was charged to the income statement as additional non recoverable taxes for the fiscal year 2012.

The Company's books and records for the fiscal years 2011 and 2012 are not audited by the tax authorities. Therefore, the Company's tax liabilities may not be considered finalized i.e. a provision for additional taxes and penalties, if any, that may be levied in event of a tax audit cannot, at this stage, be determined with any reasonable accuracy.

14. Property, plant, equipment& intangibles

In Euro	Quarries	Total B&I	Machinery&Equip.	Furniture	Intengables	Under construction	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	242,880	-	1,995,042	10,676,231
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	242,880	-	2,992,217	41,759,450
At 1 January 2012	7,142,784	2,657,765	28,723,804	242,880	-	2,992,217	41,759,449
Additions	54,000	-	-	-	-	5,630,956	5,684,956
Transfer	-	755,226	6,790,003	206,567	17,057	(7,768,853)	-
At 31 December 2012	7,196,784	3,412,991	35,513,807	449,447	17,057	854,320	47,444,405
Depreciation							
At 1 January 2011	-	-	-	-	-	-	-
Transfer from the Branch	-	1,027	5,882	-	-	-	6,909
Charge for the period	333,134	163,107	1,887,635	25,095	-	-	2,408,971
At 31 December 2011	333,134	164,134	1,893,517	25,095	-	-	2,415,880
At 1 January 2012	333,134	164,134	1,893,517	25,095	-	-	2,415,880
Charge for the period	162,652	179,593	2,077,746	72,356	568	-	2,492,915
At 31 December 2012	495,786	343,727	3,971,263	97,451	568	-	4,908,795
Carriyng amount							
At 31 December 2011	6,809,650	2,493,631	26,830,287	217,786	-	2,992,217	39,343,570
At 31 December 2012	6,700,998	3,069,264	31,542,544	351,996	16,489	854,320	42,535,611

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 valuation of the land was performed by the independent valuators, based on the market value. The fair value of property, plant and equipment determined as at 9 December 2010 is EUR 29,885,092. 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.

14. Property, plant, equipment& intangibles (continued)

Security

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

Intangibles

This related to computer software licences.

15. Inventories

In Euro	**31 December 2012**	**31 December 2011**
Raw materials, consumables and spare parts	1,737,304	2,030,771
Work in progress	2,802,348	2,828,390
Finished goods	1,481,634	1,032,864
Provision for inventory obsolence	-	(212,920)
	6,021,286	**5,679,105**

16. Trade and other receivables

In Euro	**31 December 2012**	**31 December 2011**
Trade receivables	2,114,198	1,123,309
Receivables from related parties	1,805,340	209,247
Other receivables	45,340	15,632
VAT receivables	22,412	151,757
	3,987,290	**1,499,945**

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

In Euro	Neither past due nor impaired	Past due but not impaired					
		0 to 30 days	30 to 60 days	60 to 90 days	90 to 120 days	120 and above	Total
2012	555,959	776,030	810,860	1,389,807	55,453	331,429	**3,919,538**
2011	328,416	335,575	245,977	72,637	11,267	338,684	**1,332,555**

The Company exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 6.

17. Cash and cash equivalents

In Euro	31 December 2012	31 December 2011
Bank balances	10,667,520	1,115,297
Cash on hand	1,229	353
	10,668,749	**1,115,650**

18. Capital and reserves

Owner's capital

SharrBeteiligungs GmbH, Hamburg is the sole owner of the Company. Owner's capital in the amount of EUR 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

During 2012, the Company declared and distributed dividend in amount of EUR 1,000,000.

19. Trade and other payables

In Euro	31 December 2012	31 December 2011
Trade payables	606,101	2,563,724
Liabilities to related parties	2,916,356	1,637,135
Other	319,185	702,686
	3,841,642	**4,903,545**

The trade payables are non interest bearing and are normally settled between 30 and 60 days terms. Other payables are consisted mainly of salary payables. The Company exposure to liquidity risk related to trade and other payables is disclosed in note 6.

20. Provisions

In Euro	Litigation	Site restoration	Total
As at 1 January 2011	-	-	-
Transfer from the Branch	350,000	868,821	1,218,821
Provision used during the period	-	(513,978)	(513,978)
Provision reversed	-	-	-
As at 31 December 2011	350,000	354,843	704,843
Current	350,000	354,843	704,843
	350,000	**354,843**	**704,843**
As at 1 January 2012	350,000	354,843	704,843
Provision used during the period	-	(48,251)	(48,251)
Release of provision	(350,000)	-	(350,000)
As at 31 December 2012	-	306,592	306,592
Current	-	306,592	306,592

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. The Company assessed the provision and has solid reason to believe that all the legal proceedings will result in Company favour and as a result released the provision of EUR 350,000 (Revert also to note 9).

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 EUR 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.

21. Commitments and contingencies

i) Bank guarantees

Bank guarantee from NLB Pristina provided for the import of raw materials of the amount of EUR 41,294 that expires on 31 December 2013.

ii) Contingencies

In December 2012, the Company received a notification by the Kosovo Competition Authority (the 'KCA') calling the Company to appear in an oral hearing before the KCA for alleged violations of the Kosovo Law on Protection of Competition (the 'Kosovo Competition Act') in the form of an abuse of dominant position in the cement market in Kosovo (the 'Notification').

21. Commitments and contingencies (continued)

Given the extreme vagueness of the document served, the Company requested clarifications from the KCA as to the legal nature of the Notification and of the proceedings initiated by the KCA, as well as to the details of the allegations against the Company. The Company also requested to exercise its rights under the relevant local legislation to have access to the file of the case and to thereafter submit its response in writing, prior to any oral hearing.

The KCA granted the Company's petition for written submissions and therefore postponed the oral hearing, but refused the Company's petition for access to the case file.

In January 2013, the Company filed with the KCA its written submissions and supporting documentation in response to the Notification. To date, the KCA has not rescheduled the postponed oral hearing.

As to the substance of the allegations made against the Company very little can be said. The Notification makes very vague references to the market conditions that prevailed in Kosovo during a period in which the Ministry of Trade and Industry imposed interim safeguard measures. The notification does not specify any practices or conduct applied by the Company in violation of the Kosovo Competition Act.

During December 2012, the Customs Authority of Kosovo started an investigation, in the framework of which they have interrogated the Managing Director, in his capacity as legal representative of the Company, which they allege to be suspect of criminal offence of tax evasion in connection with 33 shipments of clinker imported from Macedonia. The Customs Authority unjustifiably believes that the imported product was cement and should be classified as such under the local tariff code. The Customs Authority had previously imposed a fine of Euro 10,000 on the Company, on the basis of the same above unjustifiable allegation, for another 16 shipments of clinker. The Company has appealed the fine. Both cases have no legal or factual grounds and under normal circumstances the investigation will not lead to any prosecution and will be terminated.

iii) Overdraft facilities

The Company has available one commercial line of credit up to the amount of 1,990,000 EUR with Raiffeisen Bank Kosovo J.S.C. and one overdraft facility up to the amount of 1,000,000 EUR with Procredit Bank J.S.C. The commercial line of credit with Raiffeisen Bank Kosovo J.S. C. is up to March 15th 2013, and the applicable interest rate is 9.5% per annum. The overdraft facility with Procredit Bank J.S.C. is up to June 2nd 2013 and the applicable interest rate is 9,2% per annum. As of 31 December 2012, no proceeds have been drawn from the loan facilities.

21. 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 at mutually agreed terms:

21. Related parties (continued)

Related parties transactions

In Euro	**31 December 2012**	**31 December 2011**
Sales and services provided to related parties		
Sharr Beitaligungs GMBH	13,938	3,701
Antea Cement SHA	2,141,559	-
Usje Cementarnica A.D.	418,232	16,944
Kosjeric	8,670	-
	2,582,399	**20,645**
Purchase of goods and services from related parties		
Usje Cementarnica A.D.	8,700,155	5,044,041
Antea Cement SHA	177,424	329,634
Zlatna Panega	110,115	-
Beni Suef	2,415	-
Titan Cement Company	209,483	85,001
Titan America Tarmak	34,561	
Kosovo Construction Materials	7,670	-
	9,241,823	**5,458,676**

	31 December 2012	**31 December 2011**
Trade and other receivables		
Sharr Beitaligungs GMBH	-	5,500,000
Sharr Beitaligungs GMBH	-	211,965
Usje Cementarnica A.D.	131,563	-
Kosjerich	8,670	-
Antea Cement SHA	1,665,107	-
	1,805,340	**5,711,965**
Trade and other payables		
Titan Cement Company SA	1,789	23,235
Usje Cementarnica A.D.	2,856,438	1,564,439
Kosovo Construction Materials	55,713	48,038
Beni Suef Cement Co.	2,415	1,420
	2,916,355	**1,637,132**

On 1 August 2012 the Company has concluded an agency contract with Antea, related party from Albania. According to the contract, the Company shall act as an agent to promote the products and business of Antea in order to extend sales on Kosovo market. The company will also perform and provide market studies to Antea including information in relation to the cement and ready mix industry in Kosovo. As of 31 December 2012, the commission fees earned by the Company based on this contract amounts EUR 2,141,559.

22. 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 2012	31 December 2011
Trade and other receivables	3,987,290	1,499,945
Loans given	-	5,500,000
Cash and cash equivalent	10,668,749	1,115,650
	14,656,039	**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	Carrying amount	
	31 December 2012	31 December 2011
Domestic	2,159,538	1,138,924
Related party	1,805,340	209,247
	3,964,878	**1,348,171**

Notes to the interim financial statements

22. Financial instruments (continued)

(a) Credit risk (continued)

(ii) Impairment losses

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

In Euro	31 December 2012	31 December 2011
Not past due	555,959	328,416
Past due 0-30 days	776,030	335,575
Past due 31-60 days	810,860	245,977
Past due 61-90 days	1,389,807	72,637
Past due 91-120 days	55,453	11,267
More than 121 days	331,429	338,684
	3,919,538	**1,332,556**

Receivables for related parties as of 31 December 2012 amount to EUR 1,665,107 from Antea, EUR 131,563 from Cementarnica USJE AD and EUR 8,670 from Cementara Kosjeric.

(b) Liquidity risk

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

In Euro	*Carrying amount*	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
31 Decemeber 2012						
Non-derivative financial liabilities						
Trade and other payables	3,841,642	(3,841,642)	(3,841,642)	-	-	-
	3,841,642	**(3,841,642)**	**(3,841,642)**	-	-	-
31 Decemeber 2011						
Non-derivative financial liabilities						
Trade and other payables	4,903,545	(4,903,545)	(4,903,545)	-	-	-
	4,903,545	**(4,903,545)**	**(4,903,545)**	-	-	-

Notes to the interim financial statements

22. 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 2012	Carrying amount 31 December 2011
Fixed rate instruments		
Financial assets	10,668,749	1,115,650
Financial liabilities	-	-
	10,668,749	**1,115,650**
Variable rate instruments		
Financial assets	-	5,500,000
	-	**5,500,000**

Fair value sensitivity analysis for fixed rate financial instruments

The Company does not account for any fixed 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 financial statements

22. 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:

In Euro	*Note*	31 December 2012		31 December 2011	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Trade and other receivables	*16*	3,987,290	3,987,290	1,499,945	1,499,945
Loans given		-	-	5,500,000	5,500,000
Cash and cash equivalents	*17*	10,668,749	10,668,749	1,115,650	1,115,650
		14,656,039	**14,656,039**	**8,115,595**	**8,115,595**
Trade payables	*19*	(3,522,457)	(3,522,457)	(4,200,859)	(4,200,859)
		(3,522,457)	**(3,522,457)**	**(4,200,859)**	**(4,200,859)**

The basis for determining fair values is disclosed in note 5.

23. Subsequent events

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