CEMENTARNICA "USJE" AD - SKOPJE

Financial Statements

31 December 2010

This report is translation of the original report published in Macedonian language

Contents

GENERAL INFORMATION

Directors

Boris Hrisafov

Registered office

Prvomajska bb
1000 Skopje

Solicitors

Lawyer Office Polenak - external lawyer
Lawyer Office Dimitrov - external lawyer

Bankers

Komercijalna Banka AD - Skopje
Stopanska Banka AD - Skopje
Tutunska Banka AD - Skopje
Alfa Banka AD - Skopje
Ohridska Banka AD - Ohrid

Auditors

Ernst & Young Certified Auditors Ltd.
Marshall Tito 19
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Cementarnica "USJE" AD - Skopje ("the Company") and the consolidated financial statements of Cementarnica "USJE" AD - Skopje and its subsidiaries ("the Group"), which comprise the Company's and the Group's statements of financial position as at 31 December 2010 and the statements of comprehensive income, statements of the changes in equity and statements 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 Macedonian accounting regulation, 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 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' judgement, 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 the 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.

Opinion

In our opinion, the Company's financial statements and the Group's consolidated financial statements give true and fair view of the financial position of the Company and of the Group as at 31 December 2010 and the financial performance and cash flows for the Company and for the Group for the year then ended in accordance with Macedonian accounting regulation.

Without qualifying our opinion, we draw your attention to Note 2.1 to the financial statements, which defines the basis of preparation of the Company's and the Group's financial statements. The legal financial reporting framework in Macedonia is specified in the Macedonian Company Act based on which companies should present their annual financial statements. This Act states that the financial statements should be prepared in accordance with the International Accounting Standards (IAS), which are updated on an annual basis, so as to be harmonized with the current standards as revised, amended or adopted by the International Accounting Standards Board and as officially translated into the Macedonia language, approved by the Ministry of Finance and published in the State Gazette. As of the date these financial statements were authorized for issuance by the Company's and Group's management, the IFRS, were neither updated nor translated and published accordingly. The local practice is continuing to evolve. The Group and the Company have chosen however to present its financial statements in accordance with officially translated and published IAS and IFRS into the Macedonian language.

Ernst & Young

Ernst & Young Certified Auditors Ltd.,
Skopje, 15 March 2011

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2010

	Notes	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
Sales	3a	3.925.955	4.531.809	3.795.545	4.414.695
Other revenue	3b	428.478	260.769	447.574	260.769
Cost of sales	3c	(2.246.737)	(2.405.058)	(2.160.801)	(2.318.220)
Gross profit		**2.107.696**	**2.387.520**	**2.082.318**	**2.357.244**
Other operating income	3d	23.519	44.365	24.719	45.587
Other operating expenses	3e	(49.078)	(245.764)	(48.786)	(245.002)
Selling and marketing expenses	3f	(34.562)	(50.162)	(33.449)	(50.871)
Administrative expenses	3g	(114.099)	(151.024)	(110.741)	(149.444)
Fly-ash disposed off		(21.834)	(19.150)	(21.834)	(19.150)
Depreciation	5	(299.135)	(288.110)	(286.603)	(275.589)
Profit from operating activities		**1.612.507**	**1.677.675**	**1.605.624**	**1.662.775**
Net finance (expense) / income	3h	6.727	(12.038)	7.991	(10.504)
Net profit before income tax		**1.619.234**	**1.665.637**	**1.613.615**	**1.652.271**
Income tax expense	4	(113.992)	(116.881)	(112.949)	(115.552)
Net profit for the year		**1.505.242**	**1.548.756**	**1.500.666**	**1.536.719**
Other comprehensive income		3.740	510	-	-
Total comprehensive income for the period		**1.508.982**	**1.549.266**	**1.500.666**	**1.536.719**

	2010	2009
Net profit for the year attributable to:		
Equity holders of the parent	1.502.703	1.544.616
Minority interest	2.539	4.140
	1.505.242	**1.548.756**
Total comprehensive income for the year attributable to:		
Equity holders of the parent	1.504.865	1.545.872
Minority interest	4.117	3.394
	1.508.982	**1.549.266**

STATEMENT OF FINANCIAL POSITION
at 31 December 2010

	Notes	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	2.374.334	2.518.139	2.204.137	2.336.121
Intangible assets		4.034	4.034	-	-
Investment properties	6	34.404	35.796	34.404	35.796
Investments in subsidiary		-	-	157.921	157.921
Exploration and evaluation assets		13.013	16.010	13.013	16.010
Deferred tax assets		-	6.928	-	6.928
		2.425.785	**2.580.907**	**2.409.475**	**2.552.776**
Current assets					
Inventories	7	654.183	700.626	650.700	693.526
Trade and other receivables	8	213.384	127.644	201.226	105.677
Short term loans receivables	9	153.750	-	153.750	-
Income tax receivable		15.741	10.546	15.220	10.406
Cash and cash equivalents	10	36.295	144.108	24.713	132.094
		1.073.353	**982.924**	**1.045.609**	**941.703**
TOTAL ASSETS		**3.499.138**	**3.563.831**	**3.455.084**	**3.494.479**
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	11	1.747.730	1.747.730	1.747.730	1.747.730
Other reserves	12	636.418	634.256	631.888	631.888
Retained earnings		656.973	751.990	653.784	750.838
		3.041.121	**3.133.976**	**3.033.402**	**3.130.456**
Minority interest		61.217	57.100	-	-
Total equity		**3.102.338**	**3.191.076**	**3.033.402**	**3.130.456**
Non-current liabilities					
Provision for retirement benefits	13	62.971	61.154	62.971	61.154
Provision for rehabilitation of quarries		16.894	16.894	16.894	16.894
Other non-current liabilities		-	15.122	-	15.122
		79.865	**93.170**	**79.865**	**93.170**
Current liabilities					
Trade and other payables	14	306.293	268.430	331.186	259.720
Current portion of retirement benefit obligations	13	8.234	10.705	8.234	10.705
Income tax payable		2.380	430	2.369	408
Dividend payable		28	20	28	20
		316.935	**279.585**	**341.817**	**270.853**
TOTAL EQUITY AND LIABILITIES		**3.499.138**	**3.563.831**	**3.455.084**	**3.494.479**

Authorized on behalf of the Board of Directors on 18 February 2011:

Boris Hrisafov
Chief Executive Director

Olivera Vasilkovska
Finance Manager

Цементарница "УСЈЕ" АД Скопје

STATEMENT OF CASH FLOWS
For the year ended 31 December 2010

	Note	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
Cash flow from operating activities					
Net profit before income taxes		**1.619.234**	**1.665.637**	**1.613.615**	**1.652.271**
Adjustments for:					
(Gain) on disposal of PP&E		(5.246)	(8.725)	(5.246)	(8.725)
Depreciation of PPE and investment properties		299.135	288.109	286.603	275.589
Reversal of provision for retirement benefits		7.687	20.254	7.687	20.254
Fly ash disposed off		21.834	19.150	21.834	19.150
Interest income		(13.228)	(14.939)	(13.070)	(14.864)
Interest expense and bank charges		5.086	24.725	3.658	23.130
Write off trade receivables		527	-	527	-
NBV of tangible assets written off		2.621	-	2.621	-
Other provision		8.460	-	8.460	-
Operating profit before working capital changes		**1.946.110**	**1.994.211**	**1.926.689**	**1.966.805**
(Increase) / Decrease in trade and other receivables		(86.267)	144.131	(96.076)	172.977
Decrease in inventories		16.149	519.286	12.302	522.224
Increase / (Decrease) in trade and other payables		14.408	(501.292)	47.094	(484.516)
Cash generated from operations		**1.890.400**	**2.156.336**	**1.890.009**	**2.177.490**
Interest expense and bank charges paid		(5.086)	(24.725)	(3.658)	(23.130)
Income tax paid		(109.895)	(81.137)	(108.874)	(79.795)
Net cash flows generated from operations		**1.775.419**	**2.050.474**	**1.777.477**	**2.074.565**
Cash flows from investing activities					
Purchase of PP&E		(147.842)	(158.445)	(147.842)	(158.439)
Expenditures for exploration and evaluation assets		(5.008)	(16.010)	(5.008)	(16.010)
Proceeds from sale of PP&E		6.383	10.385	6.383	10.385
Loan to associate		(153.750)	-	(153.750)	-
Interest income received		13.228	14.939	13.070	14.864
Net cash flows (used in) investing activities		**(286.989)**	**(149.131)**	**(287.147)**	**(149.200)**
Cash flows from financing activities					
Dividends paid to group shareholders		(1.444.673)	(2.142.720)	(1.444.673)	(2.142.720)
Dividends paid to minority shareholders		(78.666)	(116.682)	(78.666)	(116.682)
Tax on dividend		(74.372)	-	(74.372)	-
Proceeds of short - term borrowings		-	485.000	-	485.000
Repayments of short - term borrowings		-	(485.000)	-	(485.000)
Investment in subsidiary		-	-	-	(156)
Net cash flows (used) in financing activities		**(1.597.711)**	**(2.259.402)**	**(1.597.711)**	**(2.259.558)**
Net increase in cash and cash equivalents		**(109.281)**	**(358.059)**	**(107.381)**	**(334.193)**
Net foreign exchange differences		1.468	(75)	-	-
Cash and cash equivalents at 1 January		144.108	502.242	132.094	466.287
Cash and cash equivalents at 31 December	10	**36.295**	**144.108**	**24.713**	**132.094**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

	Share capital MKD'000	*Other reserves (note 13) MKD'000*	*Retained earnings MKD'000*	*Total MKD'000*	*Minority interest MKD'000*	*Total equity MKD'000*
At 1 January 2009	**1.747.730**	**633.000**	**1.466.776**	**3.847.506**	**53.706**	**3.901.212**
Profit/(loss) for the year	-	-	1.544.616	1.544.616	4.140	1.548.756
Translation differences (Other comprehensive income)	-	1.256	-	1.256	(746)	510
Total comprehensive income	-	**1.256**	**1.544.616**	**1.545.872**	**3.394**	**1.549.266**
Dividends declared	-	-	(1.466.402)	(1.466.402)	-	(1.466.402)
Advance dividends	-	-	(793.000)	(793.000)	-	(793.000)
At 31 December 2009	**1.747.730**	**634.256**	**751.990**	**3.133.976**	**57.100**	**3.191.076**
Profit for the year	-	-	1.502.703	1.502.703	2.539	1505.242
Translation differences (Other comprehensive income)	-	2.162	-	2.162	1.578	3.740
Total comprehensive income	-	**2.162**	**1.502.703**	**1.504.865**	**4.117**	**1.508.982**
Dividends declared	-	-	(669.348)	(669.348)	-	(669.348)
Dividends tax	-	-	(74.372)	(74.372)	-	(74.372)
Advance dividends	-	-	(854.000)	(854.000)	-	(854.000)
At 31 December 2010	**1.747.730**	**636.418**	**656.973**	**3.041.121**	**61.217**	**3.102.338**

COMPANY'S STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2010

	Share capital	*Other reserves (note 13)*	*Retained earnings*	*Total*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
At 1 January 2009	**1.747.730**	**631.888**	**1.473.521**	**3.853.139**
Profit/(loss) for the year	-	-	1.536.719	1.536.719
Translation differences (Other comprehensive income)	-	-	-	-
Total comprehensive income	-	-	**1.536.719**	**1.536.719**
Dividends declared	-	-	(1.466.402)	(1.466.402)
Advance dividends	-	-	(793.000)	(793.000)
At 31 December 2009	**1.747.730**	**631.888**	**750.838**	**3.130.456**
Profit for the year	-	-	1.500.666	1.500.666
Translation differences (Other comprehensive income)	-	-	-	-
Total comprehensive income	-	-	**1.500.666**	**1.500.666**
Dividends declared	-	-	(669.348)	(669.348)
Dividends tax	-	-	(74.372)	(74.372)
Advance dividends	-	-	(854.000)	(854.000)
At 31 December 2010	**1.747.730**	**631.888**	**653.784**	**3.033.402**

1. Corporate information

Cementarnica "Usje" A.D. - Skopje ("the Company") is incorporated in the Republic of Macedonia with the registered address at Prvomajska bb, Skopje.
The Company's main activity is production and trade with cement, masonry cement, ready mix concrete, clinker and other related products.
The Company is controlled by Titan Cement Netherlands B.V. registered in Netherlands, which has 94,84% shareholding in the Company. The Company's ultimate parent is Titan Cement Company S.A. - Greece.

The number of employees as of 31 December 2010 was 348, (2009: 349 employees).

The Company and the Group financial statements for the year ended 31 December 2010 have been approved for issue by the Board of Directors on 18 February 2011.

2.1 Basis of preparation

The consolidated financial statements of Cementarnica "Usje" A.D.- Skopje and its subsidiaries ("the Group") and the financial statements of the Company have been prepared in accordance with the Company Law (Official Gazette of Republic of Macedonia 28/04 with amendments 84/05, 25/07, 87/08, 42/10 and 48/10) and Accounting Principles applicable in the Republic of Macedonia ("Macedonian GAAP"), which are in accordance to the new Rulebook of Accounting published on 29 December 2009 (Official Gazette of Republic of Macedonia 159/09) effective from 1 January 2010. This Rulebook comprise the basic text of IFRS's including SIC's and IFRIC's as issued by IASB at 1 January 2009.

In the period as of 31 December 2009 applicable standards were the International Accounting Standards published in Official Gazette of Republic of Macedonia which comprise the following:

- The revisions of International Accounting Standards, IAS 1 to IAS 39 were published on 30 December 2004, previously effective as of 5 November 1999. The effective date for all revised standards is January 1, 2005. In addition, International Accounting Standards, IAS 40 and IAS 41 were published with the effective date 1 January 2005.
- On 10 February 2005 International Financial Reporting Standard 1 was published. The effective date was set to 17 February 2005.
- On 29 December 2005 International Financial Reporting Standards, IFRS 2 to IFRS 7 were published. The effective date was set to 30 December 2005.

The Group's consolidated financial statements and the Company's financial statements have been prepared on a historical cost basis. The consolidated financial statements and the Company's financial statements are presented in Macedonian Denars ("MKD") and all values are rounded to the nearest thousands ('000) except when otherwise indicated.

2.1 Basis of preparation (continued)

Changes in accounting policy and disclosures
The update of the accounting standards i.e. the new Rulebook of Accounting published does not have material impact on the Group's and Company's financial statements except for the following:

- *IAS 1 (revised) Presentation of financial statements*

IAS 1 (revised) Presentation of financial statements
The Company adopted the revised standard from 1 January 2010. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company and the Group has elected to present in a single statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share. The financial statements have been prepared under the revised disclosure requirements.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its three subsidiaries: Cement Plus for building materials DOO incorporated in Kosovo with 65% holding, RUDMAK DOOEL export-import Skopje with 100% holding and TROJAN CEM EOOD Bulgaria with 100% holding. The financial statements of the consolidated subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets, are eliminated in full. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent shareholder's equity.

2.2 Summary of significant accounting policies

a. Foreign currency translation

The Group and the Company prepare the financial statements in Macedonian denars, which is the Group's and the Company's functional currency and the presentation currency for local statutory purposes. Each entity in the Group determines its own functional currency and items included in the financial statements in each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of transaction. Monetary and non-monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss.

2.2 Summary of significant accounting policies (continued)

a. Foreign currency translation (continued)

The functional currency of the domestic operations, RUDMAK DOOEL export-import Skopje is the Macedonian denars. The functional currency of the foreign operations, Cement Plus for Building Materials - Kosovo and Trojan Cem Eood - Bulgaria is the Euro. As of each reporting date, the assets and liabilities of this subsidiary are translated through conversion in euro into the presentation currency of Cementarnica "USJE" AD (the Macedonian Denars) at the rate of exchange ruling at the reporting date (2010: MKD 61.5050 for Euro 1; 2009: MKD 61,1732 for Euro 1) and, its profit or loss is translated at the weighted average exchange rate for the year (2010: MKD 61,3391 for Euro 1; 2009: MKD 61,2880 for Euro 1). The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the profit or loss.

b. Investment in subsidiary

Subsidiaries are all entities over which the Group 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 Group 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. In the stand alone financial statements of the Company, investment in subsidiaries is presented at cost less any impairment in value. Distributions received in excess of accumulated profits from the investor are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

c. Property, plant and equipment

Property, plant and equipment is stated as follows:

- those assets acquired up to 31 December 1998, the revaluation under the previous GAAP at the date of transition of the Group to IFRS (1 January 2004) was accepted as deemed cost since the revaluation was broadly comparable to depreciated cost under IFRS adjusted to reflect changes in general price index.

- those assets acquired after 31 December 1998 are stated at historical cost less accumulated depreciation and any subsequent accumulated impairment loss.

Additions are recorded at cost. Cost represents the prices by suppliers together with all costs incurred in bringing new property, plant and equipment into use.

Items of property, plant and equipment that are retired or otherwise disposed of are eliminated from the statement of financial position, along with the corresponding accumulated depreciation. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

2.2 Summary of significant accounting policies (continued)

c. Property, plant and equipment (continued)

Depreciation of property, plant and equipment, with exception of quarries, is designed to write off the cost or valuation of property, plant and equipment on the straight-line basis over their estimated useful lives. The principal depreciation rates in use are:

Buildings	2,5 -10%
Equipment	5 - 25%

Land is stated in the statement of financial position at cost less impairment and is not depreciated as it is deemed to have an infinite life, except quarries which are depreciated on a depletion basis. This depletion is recorded as the material extraction process advances based on the unit of - production method.

The asset's methods of depreciation, useful lives and residual values are reviewed at each financial year end.

d. Investment property

Investment property, comprising of land, production premises with business offices and construction object - restaurant and cafeteria room, is held for long-term rental yields and is not occupied by the Group. Investment property is measured under cost model which means that it is carried at cost, less accumulated depreciation and impairment loss, if any, in accordance with IAS 16 requirements in respect of property, plant and equipment and IAS 36 regarding impairment.

e. Exploration and evaluation assets

Exploration and evaluation expenditure for each area of interest (geographically specific to the concession, permit or mining license granted) is carried forward as an asset if a decision has been made that a mining operation is economically feasible and can be developed for commercial production. At the end of the reporting period, these costs include costs of acquisition of rights to explore. All other exploration and evaluation expenditures are charged to the profit or loss as incurred.

Administrative and general expenses relating to exploration and evaluation activities are expensed as incurred.

f. Financial instruments - initial recognition and subsequent measurement

(i) Financial assets

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 Group determines the classification of its financial assets at initial recognition.

2.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group'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. The Group 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. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), 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 EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized 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 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 EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2010 and 2009.

2.2 Summary of significant accounting policies (continued)

(i) Financial assets (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 recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. The Group did not have any available-for-sale financial investments during the years ended 31 December 2010 and 2009.

Derecognition

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

- The rights to receive cash flows from the asset have expired
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group 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 Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

2.2 Summary of significant accounting policies (continued)

(i) Financial assets (continued)

Impairment of financial assets (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(ii) Financial liabilities

Initial recognition 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 Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group'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 recognized in profit or loss.

The Group 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 profit and loss when the liabilities are derecognized as well as through the amortization process.

2.2 Summary of significant accounting policies (continued)

(ii) Financial liabilities (continued)

Derecognition

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

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

Offsetting of financial instruments

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

g. Inventories

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

Tools and consumable stores are written-off 100% when consumed.

h. Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash in banks and deposits held with banks with original maturities of up to three months or less.

i. Share capital

Ordinary shares are classified as equity.

j. Taxation

Current income tax

The income tax expense comprises the current income tax on: non-deductible expenses, taxes on distributed dividend and provision for un-audited tax returns. The tax rate for both 2010 and 2009 is 10%.

2.2 Summary of significant accounting policies (continued)

j. Taxation (continued)

The calculation and payment of the current income tax is in accordance with the Income Tax Law which include the model for taxation whose tax base are the specified non-deductible expenses, adjusted for tax credits and tax exemptions. The payment of the monthly tax is in advance only on the unrecognised expenses.

Taxes on non deducible items

The amount which is distributed as dividends and other types of profit distributions, in monetary or non-monetary form, is taxed at the moment of payment.

For further details please refer to Note 4.

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 assets or as part of the expense item as applicable; and
- 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 and payables in the reporting date.

k. Employee benefits

Pension obligations

The Group, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. The Group makes these contributions to the Government's health and retirement funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.

The Group does not operate any other pension scheme or post retirement benefits plan and consequently, has no obligation in respect of pensions.

Termination and retirement benefits

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

2.2 Summary of significant accounting policies (continued)

k. Employee benefits (continued)

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

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

Long-term liabilities arising on severance pay and jubilee employment anniversary awards are stated at the amount of the six average salaries to be paid adjusted by the ratio reflecting the relation between years of experience of the employee and total service years. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the discount rate of the Central Bank of Republic of Macedonia due to the absence of the market of high quality corporate bond or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Employee's children scholarships

Staring from 2009, included in the actuarial calculation of the defined benefits are allowances for scholarships of Group employees attending secondary school or graduate studies. Assumption is made that for the children who are still not eligible for scholarship under the scheme that 40% will continue with their graduate studies.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income or expense in the period in which they arise.

l. Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. The provisions comprise of provision for retirement benefits, provision for rehabilitation of quarries and provision for un-audited tax returns. Provisions are not recognised for future operating losses.

2.2 Summary of significant accounting policies (continued)

l. Provisions (continued)

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.

m. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duty. The following specific criteria must also be met before revenue is recognized:

Sales of goods

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

Rendering of services

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

Interest income

The interest relates to time deposit are accounted for at the expired date of time deposit.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight line basis over the lease terms.

n. 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 and loss on a straight-line basis over the period of the lease.

2.2 Summary of significant accounting policies (continued)

o. Dividends distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders.

p. Subsequent events

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

q. Financial risk management

Accounting estimates and assumptions

The Group 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 Group operates (to restore the land within 3 years after the closure of the mine site), to the level acceptable to the relevant authorities and to the level that is consistent with the Group'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.

Any change in the net present value of the environmental provision due to the passing of time is included in finance costs in profit or loss.

2.2 Summary of significant accounting policies (continued)

q. Financial risk management (continued)

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the discount rate of the Central Bank of Republic of Macedonia due to the absence of the market of high quality corporate bond or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions (see Note 13).

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

3. Revenue and expenses

a. Sales

	Consolidated		*Company*	
	2010	*2009*	*2010*	*2009*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Gross sales				
Domestic market	3.892.415	4.363.942	2.520.048	2.908.524
Foreign market	33.540	167.867	1.275.497	1.506.171
	3.925.955	**4.531.809**	**3.795.545**	**4.414.695**
Domestic market				
Income from cement	3.634.740	4.094.231	2.271.904	2.653.638
Income from RMC	121.827	132.637	121.827	132.637
Income from white cement	60.385	50.479	50.854	36.294
Income from usjepor	-	17.343	-	16.703
Income from use of own products	75,463	69.252	75.463	69.252
	3.892.415	**4.363.942**	**2.520.048**	**2.829.465**
Foreign market				
Income from cement	31.499	152.655	1.265.094	1.477.925
Income from white cement	2.041	2.056	10.360	14.503
Income from usjepor and sand	-	-	43	587
Income from clinker	-	13.156	-	13.156
	33.540	**167.867**	**1.275.497**	**1.506.171**

b) Other revenues

	Consolidated		*Company*	
	2010	*2009*	*2010*	*2009*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Pet coke	305.932	198.950	305.932	198.950
Limestone	42.819	9.203	42.819	9.203
Third part freight	33.410	7.074	33.410	7.074
Services	26.792	21.439	26.792	21.439
Income from use of own products	18.532	22.525	18.532	22.525
Freight intercompany	-	-	19.096	-
Sand	605	1.444	605	1.444
Additives	388	134	388	134
	428.478	**260.769**	**447.574**	**260.769**

3. Revenues and expenses (continued)

c. Cost of sales

	Consolidated		*Company*	
	2010	*2009*	*2010*	*2009*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Kiln fuel	477.184	367.078	477.184	367.078
Cost of goods traded	387.529	284.408	305.428	203.467
Salaries & other benefits	259.484	302.398	258.009	301.058
Electricity	251.572	265.561	250.827	264.937
Raw materials	172.029	217.395	172.029	217.051
Packing expenses	168.276	174.551	168.276	174.551
Own products	93.995	91.777	93.995	91.777
Consumables	77.230	83.118	77.230	83.118
Transportation services	70.563	20.268	70.563	18.288
Deed contracts	63.851	70.512	63.474	70.439
Other services	56.019	54.617	55.218	54.617
Spare parts	36.044	46.802	35.977	46.559
Change of inventories	8.577	330.918	8.577	330.918
Insurance premium	6.982	7.089	6.656	6.823
Other expenses	117.402	88.566	117.358	87.539
	2.246.737	**2.405.058**	**2.160.801**	**2.318.220**

3. Revenues and expenses (continued)

d. Other operating income

	Consolidated		*Company*	
	2010	*2009*	*2010*	*2009*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Gain from disposed fixed assets and investment property	5.246	8.725	5.246	8.725
Actuarial gains and reversals	5.009	16.201	5.009	16.201
Revenues from sold materials	4.457	7.655	4.457	7.655
Rent income	4.401	4.648	4.401	4.648
Collected damages from insurance companies	1.601	-	1.601	-
Technical fee	-	-	1.292	1.223
Scrap	958	1.174	958	1.174
Revenue from participation for H&S	615	-	615	-
Income from sold trade mark and other services	406	1.263	406	1.263
Other revenues from previous years	309	-	309	-
Surplus of products	15	189	15	189
Canteen	-	1.841	-	1.841
Revenues from sold fixed assets	-	1.596	-	1.596
Others	502	1.073	410	1.072
	23.519	**44.365**	**24.719**	**45.587**

Gain from sale of fixed assets in amount of MKD 5.246 thousand consist of expropriated construction land in favour of Republic of Macedonia.

The actuarial gains and reversal of unused provision for employee's benefits in amount of MKD 5.009 thousand relates to changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit method.

Revenues from sold materials in amount of MKD 4.457 thousand consist of MKD 3.895 thousand related to sold fly-ash (transit) to related party in Kosovo and MKD 562 thousand related to sell other materials (electrodes).

Rent income in amount of MKD 4.401 thousand consist of rented RMC pump and silo trucks in amount of MKD 3.588 thousand, land in amount of MKD 801 thousand, and office space in amount of MKD 12 thousand all to third parties.

3. Revenues and expenses (continued)

e. Other operating expenses

	Consolidated		*Company*	
	2010 *MKD'000*	*2009* *MKD'000*	*2010* *MKD'000*	*2009* *MKD'000*
Actuarial losses and related costs for employees benefits	12.696	36.456	12.696	36.456
Write off of obsolete inventory	8.460	33	8.460	33
Extraordinary losses	8.107	2.367	8.107	2.367
Staff leaving indemnities (including VELP)	6.377	139.988	6.377	139.988
Cost of sold materials	3.840	7.405	3.840	7.405
Rebates and discounts	2.778	14.009	2.734	13.423
Net book value of disposed fixed assets	1.138	1.660	1.138	1.660
Business premises costs	953	323	953	323
Provision for bad and doubtful debts	527	-	527	-
Withholding tax	420	12	420	9
Cost for compensation to clients	316	-	316	-
Shortage of goods in warehouse	22	9.044	22	9.044
Penalties for unpaid taxes	-	32.911	-	32.911
Other	3.444	1.556	3.196	1.383
	49.078	**245.764**	**48.786**	**245.002**

The amount of MKD 12.696 thousand represents actuarial losses and additional finance costs and current service costs which arise from experience adjustments and changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit.

The amount of MKD 8.460 thousand represents write-off obsolete inventory recognized and approved with the year end inventory count.

The amount of MKD 8.107 thousand consist of MKD 3.652 thousand related to the charges for unpaid VAT of fly-ash which was recognised in the past as VAT receivable but after tax control recognised as expense from unaudited tax years, than MKD 3.484 related to re-charged services from strategic partner of the Group and the rest represents small negligible expenses.

Staff's leaving indemnities (including VELP) in amount of MKD 6.377 thousands are related to several employees, out of total 41 employees, who have been served termination notices during 2009 and who subsequently applied for the voluntary scheme proposed by the Group as part of the Group's activities for reduction of the number of employees.

3. Revenues and expenses (continued)

f. Selling and marketing expenses

	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
Gross salaries and wages	23.075	25.291	21.962	24.144
Car expenses	3.081	2.957	3.081	2.957
Elect., telephones, post expenses etc.	2.404	3.068	2.404	3.068
Research costs	1.819	1.835	1.819	1.835
IT consultancy fees and related expenses	548	721	548	721
Travelling	373	349	373	349
Insurance	97	201	97	201
Other taxes	41	2.365	41	2.365
Legal fees	2	2	2	2
Storage space fee and transport for returned cement	-	11.602	-	13.486
Other expenses	3.122	1.771	3.122	1.743
	34.562	**50.162**	**33.449**	**50.871**

g. Administrative expenses

	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
Gross salaries and wages	42.699	45.461	40.675	45.029
Technical fee	30.567	59.008	30.567	59.008
Donations	7.076	3.840	7.076	3.840
Elect., telephones, post expenses etc	4.773	5.055	4.378	4.692
Legal fees	4.191	4.401	4.081	4.401
Promotion and advertisement	3.035	6.332	3.035	6.320
Other services	3.027	1.520	2.843	1.353
Travelling	2.801	2.789	2.801	2.783
Car expenses	2.636	2.408	2.636	2.375
Audit fees	2.851	2.518	2.503	2.518
IT consultancy fees and related expenses	1.427	1.363	1.283	1.216
Insurance	203	486	203	486
Other expenses	8.813	15.843	8.660	15.423
	114.099	**151.024**	**110.741**	**149.444**

3. Revenues and expenses (continued)

h. Finance income, net

	Consolidated 2010 MKD'000	*Consolidated* 2009 MKD'000	*Company* 2010 MKD'000	*Company* 2009 MKD'000
Interest income	13.228	14.939	13.070	14.864
Bank charges	(3.230)	(5.223)	(1.806)	(3.628)
Interest expense	(1.857)	(19.502)	(1.853)	(19.502)
Net foreign exchange (losses)	(1.414)	(2.252)	(1.420)	(2.238)
	6.727	**(12.038)**	**7.991**	**(10.504)**

4. Income tax expense

The income tax expense comprises of:

	Consolidated 2010 MKD'000	*Consolidated* 2009 MKD'000	*Company* 2010 MKD'000	*Company* 2009 MKD'000
Tax on non-deductible expenses	11.132	12.319	11.132	12.319
Tax on pre dividend distribution	94.889	88.111	94.889	88.111
Provision on unaudited tax years	-	15.122	-	15.122
Other income tax expense	1.043	1.329	-	-
Reversal of temporary differences	6.928	-	6.928	-
	113.992	**116.881**	**112.949**	**115.552**

For 2010 and 2009, as explained in the Note 2j, the calculation of the tax on non-deductible expenses is as follows:

	2010 MKD'000	2009 MKD'000
The Group and the Company		
Tax on non-deductible expenses	11.132	13.982
Tax relief on paid jubilee awards and retirement allowances provided for in previous tax period	-	(1.663)
	11.132	**12.319**

On 26 October 2010, the Board of Directors brought a Decision for distribution of advance dividend for the period January - September 2010 in accordance with the Company Law based on the profit for the nine months of 2010 reviewed by the auditors. The advanced dividend declared was in amount of MKD 948.888 thousand and taxed with tax on dividend distribution of 10% i.e. amount of MKD 94.889 thousand.

Deferred tax asset arising from deductable temporary differences from the past in amount of MKD 6.928 thousand has been reversed as the basis for its recognition ceased to exist with the introduction of the new tax regime. The reversal has been effected thorough the caption where initially recognized (i.e. income tax line in the statement of profit or loss).

In addition, the Group has plus income tax which arose from its subsidiary, Cement Plus for Building Materials Kosovo and Trojan Cem Eood Bulgaria in amount of MKD 1.043 thousand.

5. Property, plant and equipment

The Group **Cost**	*Land and Buildings MKD'000*	*Equipment MKD'000*	*Construction in progress MKD'000*	*Total MKD'000*
At 1 January 2010	**3.040.625**	**4.477.988**	**128.842**	**7.647.455**
Additions	14.060	27.616	106.011	147.687
Transfers from CIP	28.430	14.504	(42.934)	-
Currency translation differences	562	278	-	840
Disposals	(1.483)	(49.849)	-	(51.332)
At 31 December 2010	**3.082.194**	**4.470.537**	**191.919**	**7.744.650**
Depreciation				
At 1 January 2010	**1.951.868**	**3.177.448**	-	**5.129.316**
Charge for the year	45.550	244.032	-	289.582
Currency translation differences	47	82	-	129
Disposals	-	(48.711)	-	(48.711)
At 31 December 2010	**1.997.465**	**3.372.851**	-	**5.370.316**
Net book value at 31 December 2010	**1.084.729**	**1.097.686**	**191.919**	**2.374.334**

The Company **Cost**	*Land and Buildings MKD'000*	*Equipment MKD'000*	*Construction in progress MKD'000*	*Total MKD'000*
At 1 January 2010	**2.892.114**	**4.426.812**	**128.842**	**7.447.768**
Additions	14.060	27.616	106.011	147.687
Transfers from CIP	28.430	14.504	(42.934)	-
Disposals	(1.483)	(49.849)	-	(51.332)
At 31 December 2010	**2.933.121**	**4.419.083**	**191.919**	**7.544.123**
Depreciation				
At 1 January 2010	**1.945.416**	**3.166.231**	-	**5.111.647**
Charge for the year	40.988	236.062	-	277.050
Disposals	-	(48.711)	-	(48.711)
At 31 December 2010	**1.986.404**	**3.353.582**	-	**5.339.986**
Net book value at 31 December 2010	**946.717**	**1.065.501**	**191.919**	**2.204.137**

5. Property, plant and equipment (continued)

The Group **31 December 2009**	*Land and Buildings MKD'000*	*Equipment MKD'000*	*Construction in progress MKD'000*	*Total MKD'000*
Cost				
At 1 January 2009	**3.101.974**	**4.443.168**	**184.164**	**7.729.306**
Additions	309	46.775	111.361	158.445
Transfer from CIP	18.477	148.206	(166.683)	-
Transfer to investment property	(79.744)	-	-	(79.744)
Currency translation differences	(391)	(199)		(590)
Disposal	-	(159.962)	-	(159.962)
At 31 December 2009	**3.040.625**	**4.477.988**	**128.842**	**7.647.455**
Depreciation				
At 1 January 2009	**1.957.013**	**3.091.756**	-	**5.048.769**
Charge for the year	44.096	244.014	-	288.110
Transfer to investment property	(49.232)	-	-	(49.232)
Currency translation differences	(9)	(20)		(29)
Disposal	-	(158.302)	-	(158.302)
At 31 December 2009	**1.951.868**	**3.177.448**	-	**5.129.316**
Net book value at 31 December 2009	**1.088.757**	**1.300.540**	**128.842**	**2.518.139**

The Company **31 December 2009**	*Land and Buildings MKD'000*	*Equipment MKD'000*	*Construction in progress MKD'000*	*Total MKD'000*
Cost				
At 1 January 2009	**2.953.072**	**4.391.799**	**184.164**	**7.529.035**
Additions	309	46.769	111.361	158.439
Transfers from CIP	18.477	148.206	(166.683)	-
Transfer to investment property	(79.744)	-	-	(79.744)
Disposals	-	(159.962)	-	(159.962)
At 31 December 2009	**2.892.114**	**4.426.812**	**128.842**	**7.447.768**
Depreciation				
At 1 January 2009	**1.955.110**	**3.088.482**	-	**5.043.592**
Charge for the year	39.538	236.051	-	275.589
Transfer to investment property	(49.232)	-	-	(49.232)
Disposal	-	(158.302)	-	(158.302)
At 31 December 2009	**1.945.416**	**3.166.231**	-	**5.111.647**
Net book value at 31 December 2009	**946.698**	**1.260.581**	**128.842**	**2.336.121**

6. Investment property

	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
Opening balance at 1 January	35.796	5.284	35.796	5.284
Additions	156	-	156	-
Transfers from PPE, net	-	30.512	-	30.512
Less: Depreciation charge for the period	(1.548)	-	(1.548)	-
Closing balance at 31 December	**34.404**	**35.796**	**34.404**	**35.796**

Investment property principally comprise of land, production premises with business offices and construction object - restaurant and a cafeteria room and is held for long-term rental yields and is not occupied by the Group.

The fair value of the investment property approximates its cost.

7. Inventories

	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
Spare parts and supplies	248.024	265.883	248.024	265.883
Consumable stores	162.438	179.984	162.438	179.984
Finished goods	56.326	79.501	56.326	79.501
Semi-finished goods	82.617	68.020	82.617	68.020
Raw materials	79.931	74.621	79.931	74.621
Packing materials	17.267	19.083	17.268	19.083
Goods for resale	3.588	7.498	104	398
Prepayments for inventory purchase	3.992	6.036	3.992	6.036
	654.183	**700.626**	**650.700**	**693.526**

8. Trade and other receivables

	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
Trade debtors domestic	99.274	42.756	96.098	40.326
Trade debtors foreign	59.006	38.012	60.297	38.012
Advances to suppliers	1.019	4.509	1.019	4.509
Prepayments	17.189	390	6.916	390
Other current assets	36.896	41.977	36.896	22.440
	213.384	**127.644**	**201.226**	**105.677**

8. Trade and other receivables (continued)

Included in other current assets are restricted time deposits held with Stopanska Banka of MKD 21.133 thousand related to the issued guarantees for custom duties and supply of electric energy.

Trade receivables are non-interest bearing and are generally on 0 - 120 days terms.

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

The Group

		Neither past due nor	Past due but not impaired				
	Total	impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2010	158.280	155.933	1.876	471	-	-	-
2009	80.768	70.020	10.369	379	-	-	-

The Company

		Neither past due nor	Past due but not impaired				
	Total	impaired	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2010	156.395	154.048	1.876	471	-	-	-
2009	78.338	67.590	10.369	379	-	-	-

9. Short term loans receivable

On 12 November 2009, the Group concluded a Credit Facility Agreement with TITAN Global Finance PLC ("the Borrower") representing frame credit agreement with a limit of EUR 5.500 thousand. The frame can be withdrawn upon written request of the Borrower in one or more tranches (each representing separate loan). The withdrawn facilities are repayable by the Borrower in whole or in part on demand by the Group at any time or at discretion of the Borrower, but not later than two years after the date of the Agreement. The Agreement is concluded for a period of one year and eleven months and the interest rate is EURIBOR for the relevant period plus 1,30 per cent p.a..

As of 31 December 2010, only one tranche is withdrawn by the Borrower in amount of MKD 153.750 thousands i.e. EUR 2.500 thousand.

10. Cash and cash equivalents

	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
Bank deposits	-	121.426	-	121.426
Cash at bank	36.272	22.643	24.690	10.629
Cash at hand	23	39	23	39
	36.295	**144.108**	**24.713**	**132.094**

11. Share capital

The authorized, issued and fully paid share capital is:

The Group and the Company	*Number of shares*	*MKD '000*
Titan Cement Netherlands B.V. - ordinary shares of MKD 3.100 each	534.667	94,84%
Other shareholders - ordinary shares of MKD 3.100 each	29.117	5,16%
	563.784	**100%**

	MKD'000
Share capital as registered	
At 31 December 2010 and 31 December 2009	**1.747.730**

Dividends paid and proposed

The Group and the Company	*MKD'000*
Declared and paid during the period ended 31 December 2009	
Final dividend for 2008:	
MKD 2.601,00 per share	
Declared:	1.466.402
Paid:	1.466.400
Advanced dividend for 2009:	
MKD 1.406,57 per share	
Declared:	793.000
Paid:	793.000

11. Share capital (continued)

Dividends paid and proposed

Declared and paid during the period ended 31 December 2010	
Final dividend for 2009:	
MKD 1.187,00 per share	
Declared:	669.348
Paid:	669.344
Advanced dividend for 2010:	
MKD 1.514,76 per share	
Declared:	854.000
Paid:	854.000

Dividends declared and paid for the year ended 31 December 2010 and year ended 31 December 2009 entirely relate to cash dividends on ordinary shares. For advance dividend see Note 4.

12. Other reserves

The Group	*Asset revaluation reserve* *MKD'000*	*Statutory reserves* *MKD'000*	*Foreign currency translation reserve* *MKD'000*	*Total* *MKD'000*
At 1 January 2009	**268.551**	**363.337**	**1.112**	**633.000**
Currency translation difference	-	-	1.256	1.256
At 31 December 2009	**268.551**	**363.337**	**2.368**	**634.256**
Currency translation difference	-	-	2.162	2.162
At 31 December 2010	**268.551**	**363.337**	**4.530**	**636.418**

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of the foreign subsidiary.

The Company	*Asset revaluation reserve* *MKD'000*	*Statutory reserves* *MKD'000*	*Total* *MKD'000*
At 31 December 2009	**268.551**	**363.337**	**631.888**
At 31 December 2010	**268.551**	**363.337**	**631.888**

13. Provision for retirement benefits

	Consolidated		*Company*	
	2010 MKD'000	*2009 MKD'000*	*2010 MKD'000*	*2009 MKD'000*
Defined retirement benefit obligations	24.422	24.220	24.422	24.220
Defined jubilee anniversary award obligations	23.297	25.165	23.297	25.165
Defined scholarship obligations	23.486	22.474	23.486	22.474
	71.205	**71.859**	**71.205**	**71.859**
Analyzed as:				
Non-current portion	62.971	61.154	62.971	61.154
Current portion	8.234	10.705	8.234	10.705
	71.205	**71.859**	**71.205**	**71.859**

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

	Consolidated		*Company*	
	2010 MKD'000	*2009 MKD'000*	*2010 MKD'000*	*2009 MKD'000*
At 1 January	71.859	52.384	71.859	52.384
Current service costs	7.454	24.517	7.454	24.517
Interest cost	4.363	2.761	4.363	2.761
Recognised actuarial gains/losses	(1.480)	9.177	(1.480)	9.177
	82.196	88.839	82.196	88.839
Benefits paid during the year	(8.341)	(779)	(8.341)	(779)
Unused provision reversed	(2.650)	(16.201)	(2.650)	(16.201)
At 31 December	**71.205**	**71.859**	**71.205**	**71.859**

The amounts recognised in the income statement are as follows:

	Consolidated		*Company*	
	2010 MKD'000	*2009 MKD'000*	*2010 MKD'000*	*2009 MKD'000*
Current service costs	7.454	24.517	7.454	24.517
Interest cost	4.363	2.761	4.363	2.761
Recognised actuarial gains	(1.480)	9.177	(1.480)	9.177
Actuarial gains/losses net	**10.337**	**36.455**	**10.337**	**36.455**

13. Provision for retirement benefits (continue)

The principal actuarial assumptions used in 2010 by the independent actuaries were as follows:

a) Live probability and mortality by age and sex are determined according to the Mortality Table for the population of Republic of Macedonia for the period 1980-1982;
b) Turnover rate of employees is insignificant and it is not taken into consideration because percentage of leaving the company is almost none, except for 2009, when the Company during the year decided to carry out program for decreasing the employees, and
c) Employee's retirement in the future will be according to the current legislative (64 for male and 62 for female).
d) Starting from 2009, the actuarial calculation also included the scholarships for the children of the Company's employees who attend graduate and post graduated studies as well as the children on deceased employees attending secondary school or graduate studies. In addition, assumption is also made for the children who are still not eligible for scholarship under the assumption that 40% will continue with their graduate studies.

The used financial assumptions were as follows:

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

Discount rate: 6,5%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in the country.

14. Trade and other payables

	Consolidated		*Company*	
	2010	*2009*	*2010*	*2009*
	MKD'000	*MKD'000*	*MKD'000*	*MKD'000*
Domestic trade creditors	164.268	141.376	163.441	140.631
Foreign trade creditors	34.311	44.845	34.311	44.845
Tangible assets creditors	48.364	13.625	48.364	7.628
Customer prepayments	35.310	35.538	61.186	34.272
Other current liabilities	24.040	33.046	23.884	32.344
	306.293	**268.430**	**331.186**	**259.720**

15. Contingences and Commitments

Contingent liabilities

	Consolidated		*Company*	
	2010 *MKD'000*	*2009* *MKD'000*	*2010* *MKD'000*	*2009* *MKD'000*
Performance guarantees	2.170	-	2.170	-
Tender guarantees	3.194	-	3.194	-
Bank guarantees	23.878	7.768	21.133	5.015
	29.242	**7.768**	**26.497**	**5.015**

As of 31 December 2010 the Group has obtained a bank payment guaranties from Stopanska Banka in favour of Customs of MKD 5.015 thousand valid till 27 March 2011 and in favour of Gen-I Dooel Skopje of MKD 16.108 thousand for the supply of electric energy valid till 20 March 2011. Also, the Group has obtained a bank payment guarantee from Raiffeisen Bank in favour of Custom of MKD 2.745 thousand with pledged of forklift and generator.

In addition, the Group has obtained bank payment guarantees from Alpha Bank in total of MKD 2.170 thousand in favour of the Ministry of Economy for realisation of concession agreements and tender guaranties in total of MKD 3.194 thousand.

Commitments

Operating lease commitments - company as lessee

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

	Consolidated		*Company*	
	2010 *MKD'000*	*2009* *MKD'000*	*2010* *MKD'000*	*2009* *MKD'000*
Up to 1 year	4.010	5.012	4.010	5.012
Later than 1 year and not later than 5 years	3.116	7.126	3.116	7.126
	7.126	**12.138**	**7.126**	**12.138**

Purchase commitments

As at 31 December 2010, the Group has entered into contract for the purchase of electricity for 2011. The commitment undertaken for the whole 2011 will be approximately in amount to MKD 205.970 thousand.

16. Related party transactions

Titan Cement Netherlands B.V. owns 94.84% of the Company's share capital.

The following transactions were carried out with the related parties:

a) Sales of goods and services

	Consolidated		*Company*	
	2010 *MKD'000*	*2009* *MKD'000*	*2010* *MKD'000*	*2009* *MKD'000*
Cement Plus Ltd - cement, usjepor and white cement	-	-	1.233.779	1.334.688
SHARR Beteiligungs Gmbh-Pet Coke	305.753	-	305.753	-
Antea Cement SHA - grey cement	22.433	131.024	22.433	131.024
Cement Plus Ltd - Freight revenue	-	-	19.096	-
Trojan Cem EOOD Sofija – cement	-	-	8.035	-
SHARR Beteiligungs Gmbh-Fly Ash	3.895	-	3.895	-
Cement Plus Ltd - technical fee	-	-	1.292	1.224
Titan Global Finance PLC London- Interest Income	367	-	367	-
	332.448	**131.024**	**1.594.650**	**1.466.936**

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

Receivables from related parties

	Consolidated		*Company*	
	2010 *MKD'000*	*2009* *MKD'000*	*2010* *MKD'000*	*2009* *MKD'000*
Titan Global Finance-short term loan	153.750	-	153.750	-
SHARR Beteiligungs Gmbh-Fly Ash-Pet Coke	59.006	-	59.006	-
Cement Plus Ltd - technical fee	-	-	1.292	1.224
Titan Global Finance-interest	94	-	94	-
Antea Cement SHA - grey cement	-	2.716	-	2.716
	212.850	**2.716**	**214.142**	**3.940**

16. Related party transactions (continued)

b) Purchases of goods and services

	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
Titan Cement Company - white cement and PC	592.558	335.861	592.558	335.861
Balkcem Limited - technical fee	30.567	59.008	30.567	59.008
Titan Zlatna Panega - grinding media	2.637	-	2.637	-
Titan Zlatna Panega – purchased clinker	2.566	3.247	2.566	3.247
Titan Zlatna Panega - grey cement	329	2.932	329	2.932
SHARR Beteiligungs Gmbh-Cement	127	-	127	-
Titan Cement Company - purchased clinker	-	20.610	-	20.610
Cement Plus Ltd. – services	-	-	-	1.884
ADO Cem – services	-	1.835	-	1.835
Titan Kosjeric -purchased clinker	-	958	-	958
Titan Cement Company - spare parts and fixed assets	-	357	-	357
Titan Kosjeric - spare parts and supplies	-	257	-	257
Titan Zlatna Panega - raw materials	-	135	-	135
Titan Cement Company - raw materials	-	134	-	134
Titan Cement Company - services		57		57
	628.784	**425.391**	**628.784**	**427.275**

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

Payables to related parties

	Consolidated 2010 MKD'000	Consolidated 2009 MKD'000	Company 2010 MKD'000	Company 2009 MKD'000
Cement Plus Ltd. – prepayments	-	-	27.982	5.091
Titan Cement Company - white cement and PC	15.017	3.149	15.017	3.149
Balkcem Limited - technical fee	9.179	24.987	9.179	24.987
SHARR Beteiligungs Gmbh-Cement	127	-	127	-
Titan Zlatna Panega - grey cement	105	3.584	105	3.584
ADOCIM Cimento Beton A.S.- services	-	1.835	-	1.835
	24.428	**33.555**	**52.410**	**38.646**

The Group and the Company enter into these transactions with the above related parties at mutually agreed terms.

17. Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables. The Group has various financial assets such as trade receivables and cash and cash equivalents short-term deposits, which arise directly from its operations.

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

a) Interest risk

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

b) Foreign exchange risk

The Group's exposure to foreign currency risk is minimal due to the fact that the majority of foreign currency transactions relating to selling and purchases are denominated in EURO, which was stable during all 2010.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The table below summarises the maturity profile of the Company's and Group's financial liabilities at 31 December 2010 and 31 December 2009 based on contractual undiscounted payments.

The Group

Year ended 31 December 2010

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	222.515	-	-	-	222.515
Other payables	-	61.758				61.758
Payables to related parties	-	24.428	-	-	-	24.428

17. Financial risk management objectives and policies (continued)

c) Liquidity risk (continued)

Year ended 31 December 2009

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	166.291	-	-	-	166.291
Other payables	-	69.034	-	-	-	69.034
Payables to related parties	-	33.555	-	-	-	33.555

The Company

Year ended 31 December 2010

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

Year ended 31 December 2009

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	154.458	-	-	-	154.458
Other payables	-	67.044	-	-	-	67.044
Payables to related parties	-	38.646	-	-	-	38.646

17. Financial risk management objectives and policies (continued)

d) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any one customer. In addition, to reduce this risk the Group 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 Group, which comprise cash and cash equivalents, available-for-sale financial investments and other financial assets (non-current), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

e) Fair values

The fair values of the Group financial instruments approximate their carrying amounts due to their short term of maturity.