“TITAN CEMENTARA KOSJERIC” DOO

FINANCIAL STATEMENTS

FOR THE GROUP CONSOLIDATION PURPOSES

FOR THE YEAR ENDED 31 DECEMBER 2010

TITAN CEMENTARA KOSJERIC DOO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010
PREPARED FOR THE GROUP CONSOLIDATION PURPOSES

CONTENTS

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

Registered office

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

Auditor

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

Ernst & Young Beograd d.o.o.
Bulevar Mihajla Pupina 115d
11070 Beograd, Srbija

Tel: +381 11 2095 800
Fax: +381 11 2095 890
www.ey.com

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

We have audited the condensed financial statements for group consolidation reporting purposes of Titan Cementara Kosjeric d.o.o. Kosjeric ("the Company"), which comprise the balance sheet as at 31 December 2010, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes prepared for the sole purpose of consolidation into the Titan Cement Company S.A. consolidated financial statements, which are prepared in accordance with IFRS.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as explained in the following paragraph, we conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

ERNST & YOUNG

Opinion

In our opinion, based on the assigned tolerable error and for the sole purpose of inclusion in the consolidation of Titan Cement Company S.A., the condensed financial statements referred to above give a true and fair view of the financial position of the Company as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with Titan Group accounting policies, which are based on International Financial Reporting Standards.

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

Ernst & Young

Ernst & Young Beograd d.o.o.
Belgrade, 31 January 2011

PREDUZEĆE ZA REVIZIJU
ERNST & YOUNG
BEOGRAD d.o.o.

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

Income Statement

	Notes	For 12 months period ended 31-Dec-10	For 12 months period ended 31-Dec-09
Sales	3	4,608,786	4,212,794
Cost of sales	4	(2,395,309)	(1,979,595)
Gross profit		**2,213,477**	**2,233,199**
Other operating income	5	112,701	105,148
Selling expenses	6	(30,290)	(26,197)
Administrative expenses	7	(229,497)	(271,735)
Other operating expenses	5	(122,852)	(96,046)
Profit from operating activities		**1,943,539**	**1,944,369**
Finance income/(expenses), net	8	43,760	70,356
Profit before taxation		**1,987,299**	**2,014,725**
Taxation	9	(181,003)	(191,788)
Profit for the year		**1,806,296**	**1,822,937**

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

Statement of comprehensive income

	For 12 months period ended 31-Dec-10	For 12 months period ended 31-Dec-09
Profit for the year	**1,806,296**	**1,822,937**
Other comprehensive income	-	-
Total comprehensive income for the year	**1,806,296**	**1,822,937**

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

Balance sheet

	Notes	As at 31 December 2010	As at 31 December 2009
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,220,090	2,336,850
Construction in progress	10	203,137	149,127
Intangible Assets	11	25,099	36,521
Investment in subsidiary	12	1,659,878	1,659,878
Deferred tax assets	9	4,895	51,762
		4,113,099	**4,234,138**
Current assets			
Inventories	13	564,552	546,903
Trade receivables	14	196,947	86,601
Advances to suppliers for fixed assets	15	109,809	120,165
Other receivables	15	73,978	76,512
Cash and cash equivalents	16	172,757	134,956
		1,118,043	**965,137**
Total assets		**5,231,142**	**5,199,275**
EQUITY AND LIABILITIES			
Capital and reserves			
Shares	17	2,505,209	2,505,209
Reserves		166,474	166,474
Retained earnings/(losses)		328,963	306,026
Current period result		1,806,296	1,822,937
		4,806,942	**4,800,646**
Non-current liabilities			
Other non current liabilities	18	96,187	123,484
Current liabilities			
Trade and other payables	19	328,013	275,145
Total Liabilities		**424,200**	**398,629**
Total equity and liabilities		**5,231,142**	**5,199,275**

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

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

Slavica Vukosavljević
Finance Director

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

Statement of Changes in Equity

	Ordinary shares	Reserve	Retained earnings	Current period result	Total
Balance at 1 January 2009	**2,505,209**	**166,474**	**614,295**	**1,901,731**	**5,187,709**
Profit for the period	-	-	-	1,822,937	1,822,937
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**1,822,937**	**1,822,937**
Transfer to retained earnings	-	-	1,901,731	(1,901,731)	-
Dividends distribution	-	-	(2,210,000)	-	(2,210,000)
Balance at 31 December 2009	**2,505,209**	**166,474**	**306,026**	**1,822,937**	**4,800,646**
Profit for the period	-	-	-	1,806,296	1,806,296
Other comprehensive income	-	-	-	-	-
Total comprehensive income					
Transfer to retained earnings	-	-	1,822,937	(1,822,937)	-
Dividends distribution	-	-	(1,800,000)	-	(1,800,000)
Balance at 31 December 2010	**2,505,209**	**166,474**	**328,963**	**1,806,296**	**4,806,942**

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

Cash Flow Statement

	Notes	For 12 months period ended 31-Dec-10	For 12 months period ended 31-Dec-09
Cash flows from operating activities			
Profit after taxation		1,806,296	1,822,937
Adjustments for:			
Tax	9	181,003	191,788
Depreciation expense	10	197,426	196,575
Interest income	8	(17,270)	(37,144)
Interest expenses		747	
(Gain) / Loss on sale of property, plant and equipment			(34,095)
Loss on disposals of fixed assets	10	100	1,965
Effects of exchange rate changes	8	(27,237)	(33,212)
Operating cash flows before working capital Changes		**2,141,065**	**2,108,814**
Changes:			
(Increase)/decrease in trade and other Receivables		(97,455)	101,958
(Increase)/decrease in inventory		(17,649)	257,300
Increase/(decrease) in trade and other payables		25,571	(183,340)
Decrease in other long term assets		-	-
Cash generated from operations		**2,051,532**	**2,284,732**
Interest paid	8	(747)	
Tax paid		(134,136)	(102,162)
Net cash from operating activities		**1,916,649**	**2,182,570**
Cash flows from investing activities			
Acquisition of subsidiary	12		-
Purchase of property, plant and equipment	10	(123,355)	(257,001)
Purchase of intangible assets	11	-	-
Interest received		17,270	37,144
Proceeds from sale of property, plant and Equipment		-	40,386
Net cash used in investing activities		**(106,085)**	**(179,471)**
Cash flows from financing activities			
Proceeds from borrowings		135,500	
Repayment of borrowings		(135,500)	
Dividends paid		(1,800,000)	(2,210,000)
Net cash from financing activities		**(1,800,000)**	**(2,210,000)**
Effects of exchange rate changes		27,237	33,212
Net increase/(decrease) in cash		**37,801**	**(173,689)**
Cash at the beginning of period	16	**134,956**	**308,645**
Cash at the end of period	16	**172,757**	**134,956**

1 General information

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

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

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

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

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

The Company employed 336 people as at 31 December 2010.

2 Accounting policies

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

Basis of preparation

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

The financial statements have been prepared in accordance to the Group accounting policies which are based on the International Financial Reporting Standards.

The purpose of the financial statements is to be used in connection and preparation of consolidated financial statements of Titan Cement Company S.A.

Property, plant and equipment

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

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

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

2 Accounting policies (continued)

Depreciation rates are set as follows:

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

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

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

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

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

Investments in subsidiaries

Investments in subsidiaries are accounted at cost.

Inventories

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

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

Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. Such provision for impairment of trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original term of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers and is recognized in the Income statement.

Cash and cash equivalents

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

2. Accounting policies (continued)

Provisions

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

Employee benefits

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

Revenue recognition

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

Taxation

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

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

Foreign currency transactions

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

At 31 December 2010, the official rate of exchange, as determined by the Central Bank of Serbia, was EURO 1=RSD 105,4982 and as at 31 December 2009 EURO 1= RSD 95,8888. Exchange restrictions and controls exist relating to converting the RSD into other currencies.

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

Sales

	For 12 months period ended 31-Dec-10	**For 12 months period ended 31-Dec-09**
Sales revenue cement	4,589,263	4,211,315
Sales revenue clinker	19,523	1,479
Total	**4,608,786**	**4,212,794**

Revenue of RSD 19,523 thousand is coming from the sale of 5,077 tons of clinker to the company Holcim Serbia.

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

4 Cost of sales

	For 12 months period ended 31-Dec-09	For 12 months period ended 31-Dec-09
Variable		
Kiln fuel	517,266	377,794
Raw material	125,982	92,940
Electricity power	198,174	168,602
Fuel and oil	51,927	41,038
Refractory	34,529	18,661
Grinding media	5,251	9,243
Explosives	9,775	7,769
Concession fees	8,792	6,421
Other variable costs	5,801	1,490
Total variable cost	**957,497**	**723,958**
Fixed		
Salaries	375,167	372,245
Maintenance spare parts	56,268	51,516
Third parties services	42,696	35,181
Lining	1,104	20,836
Insurance and taxes	51,106	23,968
Other fixed costs	68,663	55,361
Total fixed cost	**595,004**	**559,107**
Packing		
Salaries	54,574	50,052
Bags	72,467	54,361
Pallets and folio	76,559	30,006
Electricity power	2,628	2,436
Fuel and oil	1,273	1,350
Maintenance spare parts	9,713	7,423
Third parties maintenance	3,364	1,631
Insurance	538	771
Other expenses	9,967	8,350
Total packing cost	**231,083**	**156,380**
Inventory (Increase)/Decrease	**(13,702)**	**71,907**
Depreciation	**169,269**	**167,334**
Distribution Expenses		
Third parties services transportation	438,175	286,690
Custom and related expenses	10,680	3,679
Other	85	69
Total distribution costs	**448,940**	**290,438**
Cost of Trading Goods	**7,218**	**10,471**
Total Cost of Sales	**2,395,309**	**1,979,595**

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

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

5 Other operating income and expenses

	For 12 months period ended 30-Dec-10	For 12 months period ended 31-Dec-09
Income from hotel, restaurant and bakery	-	14,474
Revenue from sales of material	92,235	21,584
Collection of the receivables for which provision was made	1,187	10,203
Revenue from other operating activities	1,474	851
Profit on sales of fixed assets	-	34,095
Other income	17,805	23,941
Total other operating income	**112,701**	**105,148**
Expenses from hotel, restaurant and bakery	-	13,465
Salaries	18,711	28,742
Depreciation	11,557	11,887
Impairment of accounts receivable	7,875	12,473
Provision for rehabilitation of quarries	532	5,305
Other provisions	10,495	-
Other expenses	73,682	24,174
Total other operating expenses	**122,852**	**96,046**

6 Selling expenses

	For 12 months period ended 31-Dec-10	For 12 months period ended 31-Dec-09
Salaries	22,301	20,383
Traveling expenses & Car Expenses	3,141	2,494
Other	4,121	2,543
Depreciation	727	777
	30,290	**26,197**

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

7 Administrative expenses

	For 12 months period ended 31-Dec-10	For 12 months period ended 31-Dec-09
Administrative and technical assistance fees – see Note 20	15,524	14,299
Salaries	100,616	100,776
Donation to Municipality –see Note 18	9,405	56,604
Donations	12,247	10,141
Communication	4,734	6,192
Consulting services	8,624	4,929
Legal and court fees	5,160	5,288
Entertainment	8,231	5,276
Car expenses	8,731	7,507
Business trip	4,095	4,319
Training and education	1,757	1,772
Other costs	34,500	38,055
Depreciation	15,873	16,577
	229,497	**271,735**

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

8 Finance income and expenses

	For 12 months period ended 31-Dec-10	For 12 months period ended 31-Dec-09
Bank interest and related income	17,270	37,144
Interest expenses	(747)	-
Foreign exchange gain	54,929	67,690
Foreign exchange loss	(27,692)	(34,478)
	43,760	**70,356**

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

9 Taxation

	For 12 months period ended 31-Dec-10	For 12 months period ended 31-Dec-09
Current Income Tax	134,136	102,162
Deferred income tax expense / (income)	46,867	89,626
	181,003	**191,788**

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

	For 12 months period ended 31 Dec 2010	For 12 months period ended 31 Dec 2009
Accounting profit for the 12 months period ended 31 December	**1,987,299**	**2,014,725**
Add back:		
Accounting depreciation	197,426	196,575
Provisions	7,778	4,632
Non business expenses	7,979	8,600
Penalties and capital loss	887	45,025
Write off of assets	4,077	6,648
Impact of transfer pricing	5,940	10,813
Retirement Benefits calculated but not paid in the tax period for which it filed tax statement	2,570	-
Other	3,051	
Less:		
Depreciation for tax purposes	(216,441)	(243,788)
Retirement Benefits calculated in the previous and paid in the tax period for which it filed tax statement	(3,447)	-
Tax basis	**1,997,119**	**2,043,230**
Tax at 10%	**199,712**	**204,323**
tax relief for investments in fixed assets	65,576	102,161
Current income tax	134,136	102,162

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

9. Taxation (continued)

Deferred income tax relates to the following:

	Income statement		*Balance sheet*	
	Jan-Dec 2010	***Jan-Dec 2009***	***31 December 2010***	***31 December 2009***
Deferred tax assets				
Tax credits for investments in property, plant and equipment	47,827	77,963	-	47,827
Temporary differences between carrying amount of property, plant and equipment and their tax base	2,033	11,663	1,902	3,935
Temporary differences between carrying amount of provisions for termination benefits and their tax base	(2,719)	-	2,719	-
Temporary differences between carrying amount of unpaid tax liabilities and their tax base	(274)	-	274	-
Deferred tax assets, total			**4,895**	**51,762**
Deferred income tax expense/(income)	**46,867**	**89,626**		

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

10. Property plant and equipment

	Land	Quarry land	Buildings	Machinery and equipment	Vehicles	Sub total	Construction in progress	Total
Cost								
At 31 December 2009	**50,303**	**132,437**	**2,336,903**	**3,126,560**	**292,552**	**5,938,755**	**149,127**	**6,087,882**
Additions during the period	385	684	-	929	1,515	**3,513**	119,842	**123,355**
Reclassification from/to another category			21,560	33,931	10,341	**65,832**	(65,832)	**-**
Sales / write off during period				(4,899)	(1,604)	**(6,503)**	-	**(6,503)**
At 31 December 2010	**50,688**	**133,121**	**2,358,463**	**3,156,521**	**302,804**	**6,001,597**	**203,137**	**6,204,734**
Accumulated depreciation/depletion								
At 31 December 2009	**-**	**11,226**	**1,163,238**	**2,161,705**	**265,736**	**3,601,905**	**-**	**3,601,905**
Charge for the period	-	4,012	62,319	113,202	6,471	**186,004**	-	**186,004**
Sales/ write off during period	-	-	-	(4,798)	(1,604)	**(6,402)**	-	**(6,402)**
At 31 December 2010	**-**	**15,238**	**1,225,557**	**2,270,109**	**270,603**	**3,781,507**	**-**	**3,781,507**
Net book value								
At 31 December 2010	**50,688**	**117,883**	**1,132,906**	**886,412**	**32,201**	**2,220,090**	**203,137**	**2,423,227**
At 31 December 2009	**50,303**	**121,211**	**1,173,665**	**964,855**	**26,816**	**2,336,850**	**149,127**	**2,485,977**

Construction in progress includes strategic spare parts amounting to RSD 94,571 thousand.

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

11 Intangible Assets

	Computer Software	Total
Cost		
At 31 December 2009	**57,110**	**57,110**
Additions during the period	-	-
At 31 December 2010	**57,110**	**57,110**
Accumulated amortization		
At 31 December 2009	**20,589**	**20,589**
Charge for the period	11,422	11,422
At 31 December 2010	**32,011**	**32,011**
Net book value		
At 31 December 2010	**25,099**	**25,099**
At 31 December 2009	**36,521**	**36,521**

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

12 Investment in subsidiary

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

.

Subsidiary	**31 Dec 2010**	**31 Dec 2009**
TCK Montenegro	7,966	7,966
Holtitan B.V. Netherland	1,651,912	1,651,912
Total	**1,659,878**	**1,659,878**

13 Inventories

	As at 31 December 2010	As at 31 December 2009
Material and fuel	129,063	161,717
Spare parts and other inventory	316,272	282,529
Packing materials	9,733	6,905
Work in progress	63,857	63,898
Finished products	45,262	31,519
Goods for resale	365	335
	564,552	**546,903**

Major portion of material and fuel as at 31 December 2010 amounting to RSD 67,054 thousand, RSD 6,533 and RSD 7,107 thousand relates to steam coal, petrol coke and crude oil, respectively.

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

14 Trade receivables

	As at 31 December 2010	As at 31 December 2009
Trade receivables	73,019	48,007
Trade receivables from related parties (Note 20)	154,695	62,983
Provision for impairment of receivables	(30,767)	(24,389)
	196,947	**86,601**

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

	Provision for impairment of trade receivables
At 1 January 2009	**18,614**
Charge for the year	9,717
Unused amounts reversed	(1,422)
Utilised	(2,520)
At 31 December 2009	**24,389**
At 1 January 2010	**24,389**
Charge for the year	7,565
Unused amounts reversed	-
Utilised during the year	(1,187)
At 31 December 2010	**30,767**

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

Year ended 31 December 2010		Past due but not impaired				
Description	Total	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	42,252	35,118	1,907	5,227	-	-
Trade receivables-related parties	154,695	36,270	75,932	42,493	-	-
Total	**196,947**	**71,388**	**77,839**	**47,720**		
Year ended 31 December 2009		Past due but not impaired				
Trade receivables	23,618	16,858	3,149	-	7	3,604
Trade receivables-related parties	62,983	36,927	26,056			-
Total	**86,601**	**53,785**	**29,205**	**-**	**7**	**3,604**

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

15. Other receivables	**As at 31 December 2010**	**As at 31 December 2009**
Advances to suppliers for current assets	6,297	6,950
Advances to suppliers for non-current assets	2,567	12,923
Advances to related parties (Note 20)	107,242	107,242
Other receivables form related parties (Note 20)	10,651	8,521
Receivables from employees	14,266	13,039
Accrued expenses	10,924	11,983
Receivables for funds lent to firms	1,488	1,517
Receivables for rent	1,395	242
Receivables for sales of property, plant and equipment	22,658	35,038
VAT receivable	-	1,385
Other receivables from the State	9,574	604
Other receivables	3,219	3,725
Other receivables, gross	**190,281**	**203,169**
Provision for advances to suppliers	(2,095)	(2,095)
Provision for receivables for funds lent to firms	(1,488)	(1,517)
Provision for receivables for sales of P,P&E and rent	(197)	(312)
Provision for receivables for employees	(48)	(30)
Provision for other receivables	(2,666)	(2,538)
Other receivables, net	**183,787**	**196,677**

Advances to related parties amounting to RSD 107,242 thousand relate to advance payment made to Stari Silo Company for the purpose of cement silo purchase.

As at 31 December 2010, other receivables at nominal value of RSD 6,494 thousand (2009: RSD 6,492 thousand) were provided for impairment. Movements in the provision for impairment of these receivables were as follows:

	Provision for impairment of prepayments for inventory	Provision for impairment of receivables for funds lent to firms	Provision for receivables for Fixed Assets Sales and rent	Provision for receivables for employee	Provision for impairment of other receivables
At 1 January 2009	**2,163**	**1,517**	**8,837**	**-**	**-**
Charge for the year	-	-	188	30	2,538
Unused amounts reversed	(68)	-	(8,713)	-	-
At 31 December 2009	**2,095**	**1,517**	**312**	**30**	**2,538**
At 1 January 2010	**2,095**	**1,517**	**312**	**30**	**2,538**
Charge for the year	-	-	-	18	292
Unused amounts reversed	-	(29)	(115)	-	(164)
At 31 December 2010	**2,095**	**1,488**	**197**	**48**	**2,666**

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

16 Cash and cash equivalents

	As at 31 December 2010	As at 31 December 2009
Cash at bank	28,189	10,493
Cash at hand	-	-
Other short-term bank deposits	144,568	124,463
	172,757	**134,956**

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

As at 31 December 2010 deposits that are placed with National Bank of Greece are EUR equivalent 118 thousand and EUR 313 thousand and with EFG Bank EUR 939 thousand.

Interest rates for short-term deposits placed with National Bank of Greece are 3.75% per annum for deposits in EUR equivalent and 3.9% per annum for Euro deposits. For EUR deposits placed with EFG Bank interest rate is 3.77% per annum. The interest accrued for the period is recorded as interest income in the Income Statement.

17 Stakes in limited liability company

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

As at 31 December 2010 the registered stake capital of the Company amounts to RSD 2,505,209 thousand.

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

18 Other non current liabilities and provisions

	As at 31 December 2010	As at 31 December 2009
Non current portion of liabilities for donation to Municipality	10,320	47,453
Retirement reward	25,986	23,269
Provision for legal cases	993	993
Provision for jubilee awards	53,052	46,464
Provision for rehabilitation of quarries	5,836	5,305
	96,187	**123,484**

Donation to Municipality

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

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

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

The balance of the long term portion as at 31 December 2010 was RSD 10,320 and will be granted to Municipality as follows:

	As at 31 December 2010	As at 31 December 2009
1 to 2 years	10,320	37,521
2 to 3 years	-	9,932
	10,320	**47,453**

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

18. Other non-current liabilities (continued)

Provisions for retirement benefits

The Company is obliged under the collective agreement to pay each employee: 1.5 average salary higher of the Company's average salary and employee's average salary plus 50% of average salary in Republic of Serbia as retirement reword if the calculated amount is not lower than the Company's obligation per Labor Law. In that case the Company is obliged to pay a minimum staff leaving indemnity equal to three average monthly gross salaries applicable in the country on the date of retirement. According to the evaluation of the certified actuary, the present value of the provision on 31 December 2010 is RSD 27,194 thousand out of which RSD 25,986 thousand represents long-term portion. The principal actuarial assumptions used in calculation of provision are: discount rate – 11%, future salary increase – 9%.

Movements in the provision for retirement reword were as follows:

	For 12months period ended 31-Dec-10	**For 12months period ended 31-Dec-09**
As at 1 January	**23,269**	**23,986**
Utilized during the year		(717)
Additional provision	2,717	-
Closing balance	**25,986**	**23,269**

Provision for legal cases

There are 3 ongoing pieces of litigation against the Company. In most cases the Company is sued for claims for damages to crops and damage to property caused by explosions in quarries and damages caused by cement dust. There are also litigation brought against the Company by employees and suppliers. In the opinion of the management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2010.

	For 12months period ended 31-Dec-10	**For 12months period ended 31-Dec-09**
As at 1 January	**993**	**1,768**
Utilized during the year	-	(775)
Closing balance	**993**	**993**

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

18. Other non-current liabilities (continued)

Provisions for Jubilee awards

The Company is obliged under the collective agreement to pay each employee Jubilee awards when the employee completes 10, 15, 20, 25, 30, 35, and 40 years of continuous employment in the Company. The rewards have as follow: 1 average salary of the Company to the employee that completes the 10^{th} and the15^{th} year of continuous employment, 1.5 average salary of the Company to the employee that completes the 20^{th} and the 25^{th} year of continuous employment, 2 average salaries of the Company to the employee that completes the 30^{th} and the35^{th} year of continuous employment and 2.5 average salaries of the Company to the employee that completes the 40^{th} of continuous employment. According to the evaluation of the certified actuary, the present value of the provision (long-term portion) on 31 December 2010 is RSD 53,052 thousands. The principal actuarial assumptions used in calculation of provision are: discount rate – 11%, future salary increase – 9%.

	For 12months period ended 31-Dec-10	**For 12months period ended 31-Dec-09**
As at 1 January	**46,464**	**60,123**
Utilized during the year		(5,591)
Unused amounts reversed	(1,190)	(8,068)
Additional provision	7,778	-
Closing balance	**53,052**	**46,464**

Provisions for Rehabilitation for quarries

	For 12-months period ended 31-Dec-10	**For 12-months period ended 31-Dec-09**
As at 1 January	**5,305**	**-**
Additional provision	531	5,305
Closing balance	**5,836**	**5,305**

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

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

19 Trade and other payables

	As at 31 December 2010	As at 31 December 2009
Trade payables	193,552	134,219
Liabilities for donation to Municipality (Note 18)	66,802	75,568
Advances received	28,845	17,480
Other taxes payable	3,882	2,402
Payables for salaries	15,007	13,800
Social, insurance contributions on salaries	7,137	6,632
Income tax payable	-	12,986
Payables to related parties (Note 21)	10,142	-
Dividend payable	339	339
Provision for rewords for Jubilee awards- current portion (Note 18)	-	5,591
Provision for retirement- current portion (Note 18)	1,208	4,803
Other payables	1,099	1,325
	328,013	**275,145**

Portion of liabilities to Municipality amounting to RSD 22,658 thousand represents the remaining amount of net sales price of hotel and restaurants which the Company sold during 2009 and in accordance with the SPA is obliged to transfer the proceeds to the Municipality. Remaining portion of liabilities amounting to RSD 44,144 thousand relates to current portion of long-term liabilities (Note 18).

The table below summarizes the maturity profile of the Company's current liabilities at 31 December 2010 based on contractual payments.

	Less than 3 months	3 to 12 months	More than 1 year	Total
Year ended 31 December 2010				
Trade payables	163,925	24,954	4,673	**193,552**
Other payables	50,614	43,652		**94,266**
Payables to related parties	10,142	-		**10,142**
Total	**224,681**	**68,606**	**4,673**	**297,960**

	Less than 3 months	3 to 12 months	More than 1 year	Total
Year ended 31 December 2009				
Trade payables	117,429	15,418	1,372	**134,219**
Other payables	47,183	65,869	-	**113,052**
Payables to related parties	-	-	-	**-**
Total	**164,612**	**81,287**	**1,372**	**247,271**

Concession fee

The Company is obliged by the Law to pay tax in the amount of RSD 12 per ton of extracted mineral resources of limestone and marl stone, which are the basic ores for production of cement. Total outstanding liability, included in trade payables, as of 31 December 2010 amounted to RSD 2,536 thousand.

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

20 Related parties transactions

	For 12months period ended 31-Dec-10	For 12months period ended 31-Dec-09
Sales and services provided to related parties		
TCK Montenegro- Montenegro	1,005,123	414,796
Usje Cementarnica A.D. FYROM	-	1,479
Stari Silo Company doo	399	331
	1,005,522	**416,606**

	As at 31 December 2010	As at 31 December 2009
Purchase of goods and services from related parties		
Zlatna Panega-Bulgaria	1,174	1,052
Titan Cement Company S.A., Athens	4,854	7,084
Tithys Ltd, Cyprus- see Note 7	15,524	14,299
TCK Montenegro- Montenegro	6,034	**-**
	27,586	**22,435**

	As at 31 December 2010	As at 31 December 2009
Trade and other receivables		
TCK Montenegro- Montenegro	154,695	62,983
Stari Silo Company doo	117,893	115,763
	272,588	**178,746**
Trade and other payables		
TITHYS Ltd, Cyprus	981	-
Titan Cement Company S.A., Athens	2,101	-
TCK Montenegro- Montenegro	7,060	-
	10,142	**-**

21 Financial risk management objectives and policies

Market risk

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

Currency risk

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

Credit risk

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

Credit risk related to receivables - The Company has no significant concentrations of credit risk. It has determined policies to ensure that wholesale of products are made to the customers with an appropriate credit history. Furthermore, receivables are often secured by solo bills or bank guarantees. Trade receivables as of 31 December 2010 are diversified. The maximum exposure of credit risk at the financial statement date is the carrying value of receivables stated in Note 14.

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

Liquidity risk

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

Maturity profile of the Company's liabilities is disclosed in Note 19.

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or increase registered capital, following shareholders' approval. No changes were made in the objectives, policies or processes during the years end 31 December 2010 and 31 December 2009.

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

21. Financial risk management objectives and policies (continued)

Capital management

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

	For 12months period ended 31-Dec-10	For 12months period ended 31-Dec-09
EBITDA	**2,140,966**	**2,140,944**

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

22. Potential liabilities and operational risks

Taxation

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

Environmental matters

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

Operating environment of the Company

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

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

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