SharrCem SH.P.K. Hani i Elezit

Financial statements

For the year ended

31 December 2013

with Independent auditor's report

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Ernst & Young Certified Auditors Ltd - Kosovo
Nena Tereze Hyr. 30-Nr.5
Prishtine, Kosova

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

We have audited the accompanying financial statements of SharrCem SH.P.K. Hani i Elezit ("the Company"), which comprise the statement of financial position as at 31 December 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Emphasis of matter

Without qualifying our opinion, we draw attention to note 21 to the accompanying financial statements, which describes the background of an open tax claim originating in 2010 and its recent development related to the Independent Review Board of Kosovo resolution dated 3 January 2014 which annulled the decision of the Department of Appeals contested by the Company and returned the case for review by the Kosovo Tax Authorities. As of the date the accompanying financial statements were authorised for issue, the latter review has not been completed, however, as further disclosed in note 21, the Management expects that the case will be finally closed with favourable outcome for the Company.

Ernst & Young Certified Auditors Ltd. - Kosovo,
Prishtinë, 07 February 2014

Statement of financial position

As at 31 December 2013

In Euro	*Note*	31 December 2013	31 December 2012
Assets			
Property, plant and equipment	*14*	42.214.481	42.519.122
Intangible assets	*14*	19.410	16.489
Total non-current assets		**42.233.891**	**42.535.611**
Inventories	*15*	5.827.452	6.021.286
Trade and other receivables	*16*	1.846.176	3.987.290
Advances given and prepayments		471.183	180.780
Current tax asset		1.126.093	1.043.392
Cash and cash equivalents	*17*	13.253.869	10.668.749
Total current assets		**22.524.773**	**21.901.497**
Total assets		**64.758.664**	**64.437.108**
Equity			
Owner's capital		6.201.001	6.201.001
Retained earnings		54.522.919	53.537.951
Total equity		**60.723.920**	**59.738.952**
Liabilities			
Deferred tax liabilities	*13*	263.399	147.447
Total non-current liabilities		**263.399**	**147.447**
Trade and other payables	*19*	3.379.662	3.841.642
Income tax payable		-	375.435
Advances received		173.162	27.040
Provisions	*20*	218.521	306.592
Total current liabilities		**3.771.345**	**4.550.709**
Total liabilities		**4.034.744**	**4.698.156**
Total equity and liabilities		**64.758.664**	**64.437.108**

The financial statements and the notes set out on pages 7 to 40 were authorised for issue by the directors of SharrCem SH.P.K., Hani i Elezit on 31 January 2014 and were signed on their behalf by:

Emmanuel Mitsou
Managing Director

Xhemail Dernjani
Head of Finance

Statement of comprehensive income

For the year ended 31 December 2013

In Euro	Notes	31 December 2013	31 December 2012
Revenue	*7*	39.213.731	37.997.808
Cost of sales	*8*	(30.659.927)	(24.514.490)
Gross profit		**8.553.804**	**13.483.318**
Other operating income	*9*	111.674	912.163
Administrative expenses	*10*	(1.950.783)	(1.338.736)
Selling Expenses	*11*	(348.926)	(218.071)
Other operating expenses		(10.769)	(27.346)
Operating profit		**6.355.000**	**12.811.328**
Finance income		37.141	123.675
Finance cost		(53.240)	(58.649)
Net finance cost	*12*	**(16.099)**	**65.026**
Profit before tax		**6.338.901**	**12.876.354**
Income tax expense	*13*	(715.548)	(1.338.112)
Profit for the year		**5.623.353**	**11.538.242**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**5.623.353**	**11.538.242**

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

Statement of changes in equity

For the year ended 31 December 2013

In Euro	Owner's capital	Retained earnings / IFRS	Accumulated profit	Total
As at 1 January 2012	6.201.001	29.885.092	13.114.617	49.200.710
Profit or loss	-	-	11.538.242	11.538.242
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	11.538.242	11.538.242
Dividends (Note 18)	-	-	(1.000.000)	(1.000.000)
At 31 December 2012	6.201.001	29.885.092	23.652.859	59.738.952
As at 1 January 2013	6.201.001	29.885.092	23.652.859	59.738.952
Profit or loss	-	-	5.623.353	5.623.353
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	5.623.353	5.623.353
Dividends (Note 18)	-	-	(4.638.385)	(4.638.385)
At 31 December 2013	6.201.001	29.885.092	24.637.827	60.723.920

Statement of cash flow
For the year ended 31 December 2013

In Euro	*Note*	**31 December 2013**	**31 December 2012**
Cash flows from operating activities			
Profit after tax		5.623.353	11.538.242
Adjustments for:			
Depreciation and amortisation		3.316.394	2.492.915
(Gains) from sales of PPE		10.772	(570)
Write off liabilities	*9*	-	(136.453)
Release of provision for litigations	*9*	-	(350.000)
Release of provision for obsolete inventory	*9*	-	(144.731)
Interest income	*12*	(37.141)	(123.675)
Interest expenses	*12*	53.240	58.649
Income tax expense	*13*	715.548	1.338.112
		9.682.166	14.672.489
Change in inventories		193.834	(197.450)
Change in trade and other receivables		1.850.705	(2.430.289)
Change in trade and other payables		(315.858)	(926.497)
Change in provisions		(88.071)	(48.251)
Cash generated from operating activities		**11.322.776**	**11.070.002**
Interest paid		(53.240)	(58.649)
Income tax paid		(1.057.732)	(397.542)
Net cash from operating activities		**10.211.804**	**10.613.811**
Cash flows from investing activities			
Interest received		37.141	123.675
Purchase of property, plant and equipment		(3.027.162)	(5.684.957)
Proceeds from sale property, plant and equipment		1.723	570
Proceeds from loans given to associates		-	5.500.000
Net cash used in investing activities		**(2.988.298)**	**(60.712)**
Cash flows from financing activities			
Dividends paid		(4.638.386)	(1.000.000)
Net cash from financing activities		**(4.638.386)**	**(1.000.000)**
Net decrease in cash and cash equivalents		2.585.120	9.553.099
Cash and cash equivalents at 1 January		10.668.749	1.115.650
Cash and cash equivalents at 31 December	*17*	**13.253.869**	**10.668.749**

Notes to the financial statements

1. Corporate information

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

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

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

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

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(a) Basis of measurement

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

Notes to the financial statements

2. Basis of preparation (continued)

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended and new IFRSs which have been adopted by the Company as of 1 January 2013:

- *IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income.*
- *IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements (New)*
- *IFRS 11 Joint Arrangements*
- *IFRS 12 Disclosures of Interests in Other Entities*
- *IAS 28 Investments in Associates and Joint Ventures (Revised)*
- *IAS 19 Employee Benefits (Revised)*
- *IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities*
- *IFRS 13 Fair Value Measurement*
- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine*
- *Annual Improvements to IFRSs – 2009 – 2011 Cycle*

The amended IFRSs do not have impact on the annual financial statements or the interim condensed financial statements of the Company except for the following:

- *The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle,* which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS.
  - *IAS 1 Presentation of Financial Statements:* This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.
  - *IAS 16 Property, Plant and Equipment:* This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
  - *IAS 32 Financial Instruments, Presentation:* This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.
  - *IAS 34 Interim Financial Reporting:* The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

(b) Significant accounting judgments, estimates and assumptions

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

Notes to the financial statements

2. Basis of preparation (continued)

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

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

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

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

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

3. Summary of significant accounting policies

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

(a) Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Notes to the financial statements

3. Significant accounting policies (continued)

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(b) Foreign currency

The financial statements are presented in Euros, which is the Company's functional currency. Transactions in foreign currencies are initially recorded in Euros using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to Euros at the exchange rate ruling at that date. Differences arising on settlement or translation of monetary items are recognized in the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

(c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) **Financial assets**

Initial recognition

Financial assets are classified, at initial recognition, 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. All financial assets are recognized initially at fair value plus directly attributable transaction costs, except in the case of financial assets at fair value through profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and cash equivalents and trade and other receivables.

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 also includes derivatives, including separated embedded derivatives, unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognized in

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

***(i)* Financial assets (continued)**

finance income or finance costs in the statement of profit or loss. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are measured at amortized cost using the effective interest rate method (EIR), less impairment. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 16.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method (EIR). The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in the finance costs. The Company did not have any investments held to maturity during the year ended 31 December 2013 and 2012.

Available-for-sale financial investments
Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. The Company did not have any available-for-sale financial investments during the year ended 31 December 2013 and 2012.

De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from Company's statement of financial position) when:

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

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

Impairment of financial assets

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

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

(ii) **Financial liabilities**

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the effective interest rate method (EIR) amortization process. Amortized cost is calculated by taking into

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

***(ii)* Financial liabilities**

account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the income statement. The Company did not have any loans and borrowings during the year ended 31 December 2013 and 2012.

De-recognition

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

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

Offsetting of financial instruments

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

(d) Intangible assets

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

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

- Computer software up to 5 years

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

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

Notes to the financial statements

3. Significant accounting policies (continued)

(e) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment is stated as follows:

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other cost directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, the component is depreciated separately. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, with the exception of quarries.

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

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

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

Notes to the financial statements

3. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

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

(f) Inventories

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

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

(g) Cash and cash equivalents

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

(h) Impairment of non-financial assets

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

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

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

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

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

Notes to the financial statements

3. Significant accounting policies (continued)

(i) Employee benefits

(i) Defined contribution plans

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

(ii) Short-term benefits

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

(j) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. The provisions comprise of provision for site restoration. Provisions are not recognised for future operating losses.

(i) Site restoration

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

(k) Revenue

(i) Goods sold

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

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

(ii) Rendering services

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

Notes to the financial statements

3. Significant accounting policies (continued)

(l) Finance income and finance costs

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

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

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

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

(m) Taxes

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

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

Notes to the financial statements

3. Significant accounting policies (continued)

(m) Taxes (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables that are stated with the amount of sales tax included.

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

4. Standards issued but not yet effective

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

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2014. These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Company is in the process of assessing the impact of this amendment on its financial position or performance.

Notes to the financial statements

4. Standards issued but not yet effective (continued)

- **IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39**
IFRS 9, as issued, reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The standard was initially effective for annual periods beginning on or after 1 January 2013 but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. The subsequent package of amendments issued in November 2013 initiate further accounting requirements for financial instruments. These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; b) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**
The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualify as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. The amendments have no impact on the Company.

- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**
This amendment is effective for annual periods beginning on or after 1 January 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. The Company is in the process of assessing the impact of this amendment on its financial position or performance.

Notes to the financial statements

4. Standards issued but not yet effective (continued)

- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**
This amendment is effective for annual periods beginning on or after 1 January 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument. The amendment has no impact on the Company.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**
The amendment is effective from 1 July 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendment has no impact on the Company.

- **IFRIC Interpretation 21: Levies**
The interpretation is effective for annual periods beginning on or after 1 January 2014. The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company is in the process of assessing the impact of this amendment on its financial position or performance.

- The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These improvements will not have an impact on the Company, but include:

  - ***IFRS 2 Share-based Payment:*** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
  - ***IFRS 3 Business combinations:*** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
  - ***IFRS 8 Operating Segments:*** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

Notes to the financial statements

4. Standards issued but not yet effective (continued)

- ***IFRS 13 Fair Value Measurement:*** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- ***IAS 16 Property Plant & Equipment:*** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- ***IAS 24 Related Party Disclosures:*** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

- ***IAS 38 Intangible Assets:*** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- **The IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These improvements will not have an impact on the Company, but include:

  - ***IFRS 3 Business Combinations:*** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
  - ***IFRS 13 Fair Value Measurement:*** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
  - ***IAS 40 Investment Properties:*** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

5. Determination of fair values

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

5. Determination of fair values (continued)

(i) Property, plant and equipment

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

(ii) Trade and other receivables

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

(iii) Non-derivative financial liabilities

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

6. Financial risk management

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

(a) Credit risk

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

(i) Trade and other receivables

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

Notes to the financial statements

6. Financial risk management (continued)

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

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

Customers that fail to meet the benchmark for creditworthiness of Company may buy goods from Company on a prepayment basis or by providing a bank guarantee issued by one of the three biggest Kosovo's banks. In general the Company does not require collateral in respect of trade and other receivables. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures in respect of losses that have been incurred but not yet identified.

(ii) Cash and cash equivalents

The Company held cash and cash equivalents of EUR 13,253,869 as at 31 December 2013 (31 December 2012: EUR 10,668,749). The cash and cash equivalents are held in well-known domestic and foreign banks.

(b) Liquidity risk

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

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

(c) Market risk

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

(i) Currency risk

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

(ii) Interest rate risk

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

Notes to the financial statements

6. Financial risk management (continued)

liabilities are short term and changes in the interest rate do not have significant effect on the fair values of the respective financial liabilities as well.

The Company is not involved in hedging activities.

(d) Capital management

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

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

6. EBITDA

In Euro	31 December 2013	31 December 2012
	9,671,394	15,304,244
	9,671,394	**15,304,244**

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

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

7. Revenue

In Euro	31 December 2013	31 December 2012
Sales of goods & servises	33.311.475	35.890.499
Other sales	383.418	106.942
Revenues from other services	1.835.053	2.141.353
Freight revenue	1.122.531	397.188
Other revenues	4.177.523	1.229.192
Rebates	(1.616.269)	(1.767.366)
	39.213.731	**37.997.808**

8. Cost of Sales

In Euro	31 December 2013	31 December 2012
Variable		
Kiln fuel	6.372.262	3.609.480
Electricity power	2.395.876	1.511.843
Purchased Clinker	687.579	4.946.609
Raw Materials	3.003.009	1.708.544
Fuel and oil	136.141	137.438
Refractory	512.804	493.463
Grinding media	45.897	179.799
Other variable costs	286.629	618.835
Total variable cost	**13.440.196**	**13.206.011**
Fixed		
Salaries	3.392.774	3.633.253
Maintenance spare parts	275.035	688.050
Third parties services	1.248.175	973.564
Other plan utilities	400	41.294
Insurance and taxes	119.653	26.600
Other fixed costs	536.112	286.427
Total fixed cost	**5.572.149**	**5.649.188**
Inventory (Increase)	**1.217.063**	**(450.974)**
Depreciation	**3.268.166**	**2.465.366**
Packing&Distribution	**3.578.036**	**2.648.534**
Cost of Trading Goods	**3.584.317**	**996.364**
Cost of Goods Sold	**30.659.927**	**24.514.490**

8a. Distribution & Packing expenses

In Euro	31 December 2013	31 December 2012
Packing Expenses		
Bags and wrapping materials	857.733	708.262
Pallets	693.259	614.519
Fuel & Oil	16.210	16.940
Electricity	104.707	111.104
Consumables	20.118	5.136
Maintenance & spare parts	69.360	88.811
Salaries & related expenses	339.708	349.674
Third parties labour maintenance	56.215	10.307
Outsourced packing activities	124.324	84.636
Other cost center expenses	30.466	114.634
Total packing cost	**2.312.100**	**2.104.023**
Distribution Expenses	**1.265.936**	**544.511**
Total packing and distribution	**3.578.036**	**2.648.534**

9. Other operating income

In Euro	31 December 2013	31 December 2012
Packing Expenses		
Release of provision for obsolete inventories	-	144.731
Revenues from sold pallets	-	136.453
Scrap sales	111.674	280.409
Reversal of provision for litigation	-	350.000
Gain on disposal of property, plant and equipment		570
Total packing and distribution	**111.674**	**912.163**

10. Administrative expenses

In Euro	31 December 2013	31 December 2012
Salaries	521.202	284.846
Social Security	26.280	15.834
Overtime	8.591	11.173
Staff Benefits	108.802	100.162
Training	28.665	4.369
Audit Fees	30.821	41.563
Legal / Notary Fees & Related Expenses	297.515	180.030
Consulting & Professional Fees	123.452	20.108
Car Fuel Expenses	28.049	35.879
Travelling Expenses	205.874	174.823
Building Utilities (Electricity, Fuels & Water, Other Utilities)	45.710	15.517
Software Maintenance and IT Materials	52.729	54.071
Donations	159.037	195.274
Advertising & promotion	4.000	4.120
Other taxes	65.702	58.820
Other Administrative Expenses	209.891	121.694
Depreciation	34.463	20.453
	1.950.783	**1.338.736**

11. Selling expenses

In Euro	31 December 2013	31 December 2012
Salaries	144.091	134.447
Social Security	8.153	8.385
Overtime	6.704	15.104
Staff Benefits	30.975	13.570
Car Fuel Expenses	21.106	10.280
Travelling Expenses	12.005	3.532
Building Utilities (Electricity, Fuels & Water, Other Utilities)	12.198	12.384
Advertising, Promotion, Sponsorship, Publications and Conferences	28.445	7.116
Other Selling Expenses	71.484	6.158
Depreciation	13.765	7.095
	348.926	**218.071**

12. Finance income and finance costs

In Euro	31 December 2013	31 December 2012
Interest income	36.218	123.675
Realized exchanges (losses)/gains	923	
Finance income	37.141	123.675
Interest expense and bank charges	(53.240)	(58.649)
Finance costs	**(53.240)**	**(58.649)**
Net finance income/(loss) recognised in profit or loss	**(16.099)**	**65.026**

13. Income tax expense

In Euro	31 December 2013	31 December 2012
Current tax expense		
Current period	599.596	1.258.999
Deferred tax income		
Origination of temporary differences	115.952	79.113
Total income tax expense	**715.548**	**1.338.112**

Reconciliation of effective tax rate

In Euros	31 December 2013	31 December 2012
Profit before tax of the Company for the year	6.338.901	12.876.354
Total profit before tax	**6.338.901**	**12.876.354**
Tax at nominal tax rate 10 %	633.890	1.287.635
Tax adjustments for		
Penalties	2.600	2.800
Incentive on purchase of new machinery	(13.891)	(67.900)
Deference in depreciation	28.152	65.793
Other	64.797	49.784
Tax at effective tax rate of 11.29% (2012: 10.39%)	**715.548**	**1.338.112**

13. Income tax expense (continued)

Deferred Tax

Deferred tax asset and liabilities

Recognised deferred tax liabilities

	As at 1 January 2012	Recognised in profit or loss	Recognised in equity	As at 31 December 2012
2012				
Accelerated depreciation of property, plant and equipment for tax purposes	68.334	79.113	-	147.447
	68.334	**79.113**	-	**147.447**
2013				
Accelerated depreciation of property, plant and equipment for tax purposes	147.447	115.952	-	263.399
	147.447	**115.952**	-	**263.399**

The Company's books and records for the fiscal years 2011, 2012 and 2013 are not audited by the tax authorities. Therefore, the Company's tax liabilities may not be considered finalized i.e. a provision for additional taxes and penalties, if any, that may be levied in event of a tax audit cannot, at this stage, be determined with any reasonable accuracy.

14. Property, plant, equipment& intangibles

In Euro	Quarries	Total B&I	Machine-ry&Equip.	Furniture, fixtures and vehicles	Intengibles	Under constru-ction	Total
Cost							
At 1 January 2012	7.142.784	10.256.511	42.529.716	1.402.494	4.800	-	61.336.305
Additions	54.000	755.226	6.790.003	206.570	17.053	854.320	8.677.172
Disposals	-	-	-	(570)	-	-	(570)
At 31 December 2012	7.196.784	11.011.737	49.319.719	1.608.494	21.853	854.320	70.012.907
At 1 January 2013	7.196.784	11.011.737	49.319.719	1.608.494	21.853	854.320	70.012.907
Additions	929.521	-	-	-	-	2.097.647	3.027.168
Transfer	-	690.130	1.389.084	118.678,08	7.898	(2.205.790)	-
Disposals	-	-	-	(56.099)	-	-	(56.099)
At 31 December 2013	8.126.305	11.701.867	50.708.803	1.671.073	29.751	746.177	72.983.976
Depreciation							
At 1 January 2012	333.134	7.762.882	15.699.427	1.184.707	4.800	-	24.984.950
Charge for the period	162.652	179.594	2.077.746	72.356	568	-	2.492.916
Disposals	-	-	-	(570)	-	-	(570)
At 31 December 2012	495.786	7.942.476	17.777.173	1.256.493	5.368	-	27.477.296
At 1 January 2013	495.786	7.942.476	17.777.173	1.256.493	5.368	-	27.477.296
Charge for the period	333.938	214.295	2.662.940	101.970	4.973	-	3.318.116
Disposals	-	-	-	(45.327)	-	-	(45.327)
At 31 December 2013	829.724	8.156.771	20.440.113	1.313.136	10.341	-	30.750.085
Carriyng amount							
At 31 December 2012	6.700.998	3.069.261	31.542.546	352.001	16.485	854.320	42.535.611
At 31 December 2013	7.296.581	3.545.096	30.268.690	357.937	19.410	746.177	42.233.891

The property, plant and equipment that was obtained at 9 December 2010 (the date of purchase of the Company's shares as part of the privatization process (see note 1) are stated at fair value. Valuation of the plant and machines was performed by the Titan Cement Company S.A technical department, since it relates to specific valuation which is known to the Titan Group from its previous similar transactions. The fair value was determined using references of the newly constructed factory in the Titan Group. The valuation of the land was performed by the independent valuators, based on the market value. The fair value of property, plant and equipment determined as at 9 December 2010 is EUR 29,885,092. The difference between the fair value of the assets acquired and the nominal value of the shares issued net of applicable deferred tax was credited to retained earnings in equity.

As explained in note 21, during December 2013 the Company signed contracts with owners of land located on Dimce marl quarry for the purchase of 32,421 square meters at a total value of EUR 1,935,611. The amount of EUR 794,640 was paid after concluding the contracts and the remaining will be paid in instalments till 2016. The transfer of the parcels between sellers included therein and the Company and the payment thereof could not be completed until 31 December 2013 because of pending court proceedings between the owners and therefore the completion of such transaction had to be transferred to 2014. The amount of EUR 794,640 paid in 2013 was included in the additions of the quarries.

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

Security

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

Intangibles

This related to computer software licences.

15. Inventories

In Euro	31 December 2013	31 December 2012
Raw materials, consumables and spare parts	2.849.174	1.737.304
Work in progress	2.022.116	2.802.348
Finished goods	956.162	1.481.634
	5.827.452	**6.021.286**

16. Trade and other receivables

In Euro	31 December 2013	31 December 2012
Trade receivables	1.572.186	2.114.198
Receivables from related parties	3.839	1.805.340
Other receivables	75.881	45.340
VAT receivables	194.270	22.412
	1.846.176	**3.987.290**

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

In Euro		Past due but not impaired					
	Neither past due nor impaired	0 to 30 days	30 to 60 days	60 to 90 days	90 to 120 days	120 and above	Total
2013	511.261	535.423	63.364	5.877	17.291	442.809	**1.576.025**
2012	555.959	776.030	810.860	1.389.807	55.453	331.429	**3.919.538**

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

17. Cash and cash equivalents

In Euro	31 December 2013	31 December 2012
Bank balances	13.253.338	10.667.520
Cash on hand	531	1.229
	13.253.869	**10.668.749**

Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 December, the Company had available EUR 2,740,000 (2012: EUR 2,990,000) of undrawn committed borrowing facilities (refer to note 21 for further details). The Company holds restricted deposits of EUR 71,845 (2012: EUR 41,294) as security against the bank guarantees issued (refer to note 21 for further details). These deposits are presented under the heading of other receivables.

18. Capital and reserves

Owner's capital

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

Dividends

During 2013, the Company declared and distributed dividend in amount of EUR 4,638,385 (2012: EUR 1,000,000). Dividends are fully paid in cash.

19. Trade and other payables

In Euro	31 December 2013	31 December 2012
Trade payables	1.045.197	606.101
Liabilities to related parties	1.955.256	2.916.356
Other	379.209	319.185
	3.379.662	**3.841.642**

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

20. Provisions

In Euro	Litigation	Site restoration	Total
As of 31 December 2012	-	-	-
Transfer from the Branch	350.000	354.843	704.843
Provision used during the period	(350.000)	(48.251)	(398.251)
Provision reversed	-	-	-
As of 31 December 2012	-	306.592	306.592
As of 31 December 2012	-	306.592	306.592
	-	**306.592**	**306.592**
As of 1 January 2013	-	306.592	306.592
Provision used during the period	-	(88.071)	(88.071)
Release of provision	-	-	-
As of 31 December 2013	-	218.521	218.521
As of 31 December 2013	-	218.521	218.521

Litigation

Provisions for litigation related to expected cash outflows for lost litigation. The provision was based on estimate of the amount the Company would have paid for settling of the liability. As part of the reorganization process (see note 1), the provisions for litigation were transferred from the Branch to the Company, since all the legal proceedings toward the Branch were transferred from the Branch to the Company. The Company assessed the provision and has solid reason to believe that all the legal proceedings will result in Company favor.

Site restoration/exploration

In accordance with the Law on Environment protection and decision of the Ministry of Environment and Spatial Planning the Company is obliged to cover the exploration area below quota 372. The company has created the reserve of EUR 218,521 as of 31 December 2013 to cover the future cost for quarry rehabilitation.

21. Commitments and contingencies

i) Bank guarantees

Bank guarantee from NLB Pristina provided for the import of raw materials of the amount of EUR 71,845 that expires on 31 December 2014.

ii) Legal claims contingencies

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

On August 14, 2013 the Kosovo Competition Authority issued the final decision which states that there was not enough evidence to prove the violation of the law on protection of competition and Sharrcem SH.P.K was acquitted from the imposition of any administrative sanction.

21. Commitments and contingencies (continued)

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

iii) Tax claim contingency

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

Furthermore, since the Company now is liable for the income tax of both companies, it is also responsible for the on-going appeal within the Independent Review Board on the final tax report received by the Branch. Namely, in 2010 the Branch's books and records for the period from 1 January 2005 to 31 December 2009 have been audited by the tax authorities.

The tax authorities issued a final report on the tax audit by which the Branch had to pay additional tax on income in the amount of EUR 1,344,931 (including the EUR 363,699 penalty for late payment). On 23 December 2010 the Branch filed an appeal to the commission, within the tax authorities, against their final decision. After the hearing session held by the commission, within the tax authorities, the appeal of the Branch was rejected.

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

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

Using the right for reduction of penalties the management appealed to the Independent Review Board on the final tax report. On 03 January 2014, the Independent Board issued the decision, based on which the claim of the Company is approved and the Tax Administration decision is ruled out and the case is returned for review. Tax Inspector has the right to re-confirm the amount of interest expense which was subject of this ruling taking into consideration the comments of the Independent Review Board. The decisions of the Board may be appealed to a court of competent jurisdiction within sixty days of receiving notification of the decision of the Independent Review Board.

21. Commitments and contingencies (continued)

The final outcome of the case is still uncertain, however the management has been advised by its legal and tax advisors that, given the facts and recent developments, which include a resolution of the Independent Review Board of Kosovo in favor of the Company, the case will be closed with positive outcome for the Company and the additionally paid tax on income will be reimbursed by the tax authorities. Consequently, the existing tax contingency of EUR 981 thousand (being EUR 1,345 thousand less the penalty of EUR 364 thousand) do not meet the probability criterion for provision recognition and hence, there is no objective evidence for existence of an impairment of the related income tax receivable of same amount included in the Company's financial statements as of 31 December 2013 and 2012.

iii) Commitments

On 4 December 2013, the Company signed contracts with owners of land located on Dimce marl quarry for the purchase of 32,421 square meters at a total value of EUR 1,935,611. Immediately after, the amount of EUR 794,640 was paid and the remaining will be paid in instalments till 2016. The transfer of the parcels between sellers included therein and the payment thereof could not be completed until 31 December 2013 because of pending court proceedings between the owners and therefore the completion of such transaction has been transferred in 2014.

iv)Overdraft facilities

The Company has available one commercial line of credit up to the amount of 1,990,000 EUR with Raiffeisen Bank Kosovo J.S.C. and one overdraft facility up to the amount of 750,000 EUR with Procredit Bank J.S.C. The commercial line of credit with Raiffeisen Bank Kosovo J.S. C. is up to 15 March 2014, and the applicable interest rate is 9.5% per annum. The overdraft facility with Procredit Bank J.S.C. is up to June 28, 2014 and the applicable interest rate is 9,2% per annum. As of 31 December 2013, no proceeds have been drawn from the loan facilities.

22. Related parties

Parent and ultimate controlling party

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

22. Related parties (continued)

In Euro	31 December 2013	31 December 2012
Sales and services provided to related parties		
Parent:		
Sharr Beitaligungs GMBH	7.336	13.938
Entities under common control:		
Antea Cement SHA	1.771.260	2.141.559
Usje Cementarnica A.D.	7.845	418.232
Kosjeric	18.925	8.670
Cement plus	14.501	-
	1.819.867	**2.582.399**
Purchase of goods and services from related parties		
Parent:		
Sharr Beteiligungs GmbH	-	-
Entities under common control:		
Usje Cementarnica A.D.	8.593.875	8.700.155
Antea Cement SHA	3.624	177.424
Zlatna Panega	33.242	110.115
Beni Suef	-	2.415
Titan Cement Company	63.360	209.483
Titan America Tarmak	-	34.561
Kosovo Construction Materials	26.450	-
Interbeton	152.550	-
Sharr Beteiligungs GmbH	23.644	7.670
	8.896.745	**9.241.823**
Trade and other receivables		
Parent:		
Sharr Beteiligungs GmbH	-	-
Entities under common control:		
Usje Cementarnica A.D.	1.923	131.563
Kosjerich	-	8.670
Antea Cement SHA	-	1.665.107
Cement Plus	1.916	-
	3.839	**1.805.340**
Trade and other payables		
Parent:		
Sharr Beteiligungs GmbH	23.644	-
Titan Cement Company SA (Ultimate)	70	1.789
Entities under common control:		
Usje Cementarnica A.D.	1.843.079	2.856.438
Kosovo Construction Materials	82.163	55.713
Interbeton	6.300	-
Beni Suef Cement Co.	-	2.415
	1.931.612	**2.916.355**

22. Related parties (continued)

On 1 August 2012 the Company has concluded an agency contract with Antea, related party from Albania. According to the contract, the Company shall act as an agent to promote the products and business of Antea in order to extend sales on Kosovo market. The company will also perform and provide market studies to Antea including information in relation to the cement and ready mix industry in Kosovo. Based on annex to the main contract, the agent services were provided until August 2013. As of 31 December 2013, the commission fees earned by the Company based on this contract amounts EUR 1,771,260 (2012: EUR 2,141,559).

23. Financial instruments

(a) Credit risk

(i) Exposure to credit risk

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

In Euro	31 December 2013	31 December 2012
Trade and other receivables	1.846.176	3.987.290
Loans given	-	-
Cash and cash equivalent	13.253.869	10.668.749
	15.100.045	**14.656.039**

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

	Carrying amount	
In Euro	31 December 2013	31 December 2012
Domestic	1.572.186	2.114.198
Related party	3.839	1.805.340
	1.576.025	**3.919.538**

Notes to the interim financial statements

23. Financial instruments (continued)

(a) Credit risk (continued)

(ii) Impairment losses

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

In Euro	31 December 2013	31 December 2012
Not past due	511.261	555.959
Past due 0-30 days	535.423	776.030
Past due 31-60 days	63.364	810.860
Past due 61-90 days	5.877	1.389.807
Past due 91-120 days	17.291	55.453
More than 121 days	442.809	331.429
	1.576.025	**3.919.538**

(b) Liquidity risk

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

In Euro	*Carrying amount*	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years
31 Decemeber 2013						
Non-derivative financial liabilities						
Trade and other payables	3.379.662	(3.379.662)	(3.379.662)	-	-	-
	3.379.662	**(3.379.662)**	**(3.379.662)**	-	-	-
31 Decemeber 2012						
Non-derivative financial liabilities						
Trade and other payables	3.841.642	(3.841.642)	(3.841.642)	-	-	-
	3.841.642	**(3.841.642)**	**(3.841.642)**	-	-	-

Notes to the interim financial statements

23. Financial instruments (continued)

(c) Interest rate risk

(i) Profile

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

In Euro	**Carrying amount 31 December 2013**	**Carrying amount 31 December 2012**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	-
Variable rate instruments		
Financial assets	13.253.338	10.667.520
	13.253.338	**10.667.520**

Fair value sensitivity analysis for fixed rate financial instruments

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

Notes to the financial statements

23. Financial instruments (continued)

(d) Fair values

(i) Fair values versus carrying amounts

The management assessed that cash, trade and other receivables, trade and other current payables approximate their carrying amounts largely due to the short term maturities of these instruments. The carrying amounts and the fair values of financial instruments shown in the statement of financial position are as follows:

		31 December 2013		31 December 2012	
In Euro	*Note*	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Trade and other receivables	*16*	1.846.176	1.846.176	3.987.290	3.987.290
Loans given		-	-	-	-
Cash and cash equivalents	*17*	13.253.869	13.253.869	10.668.749	10.668.749
		15.100.045	**15.100.045**	**14.656.039**	**14.656.039**
Trade payables	*19*	(3.001.136)	(3.001.136)	(3.522.457)	(3.522.457)
		(3.001.136)	**(3.001.136)**	**(3.522.457)**	**(3.522.457)**

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

24. Subsequent events

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