

CEMENTARNICA "USJE" AD SKOPJE

**FINANCIAL STATEMENTS
FOR GROUP CONSOLIDATION REPORTING PURPOSES**

For the year ended 31 December 2014



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INDEPENDENT AUDITORS' REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

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

We have audited the accompanying special purpose financial statements of Cementarnica USJE A.D. Skopje ("the Company"), which comprise the statement of financial position as at 31 December 2014, and 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. The special purpose financial statements have been prepared solely to enable ultimate parent Titan Cement Company S.A. to prepare its consolidated financial statements for the year ended 31 December 2014 in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU).

Management's Responsibility for the Special Purpose Financial Statements

Management is responsible for the preparation of these special purpose financial statements in accordance with those requirements of IFRS, as adopted for use in the EU relevant for the preparation of such financial statements, and for such internal control as management determines is necessary to enable the preparation of special purpose 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 special purpose 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 special purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the special purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the special purpose 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 special purpose 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 special purpose financial statements of the Company for the year ended 31 December 2014 are prepared, in all material respects, in accordance with those requirements of IFRS as adopted for use in the EU relevant to the preparation of such statements.

Restriction on Distribution and Use

The special purpose financial statements have been prepared for purposes of providing information to Titan Cement Company S.A. to enable it to prepare its consolidated financial statements for the year ended 31 December 2014. As a result, the special purpose financial may not be suitable for another purpose. Our report is intended solely for the information and use of the Company's management and ultimate parent in conjunction with the preparation and audit of the consolidated financial statements of Titan Cement Company S.A. - Greece for the year ended 31 December 2014 and should not be used by or distributed to anyone for any other purpose.



Ernst & Young Certified Auditors Ltd.
04 February 2015

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 MKD'000	2013 MKD'000
Sales	3a	3.241.336	3.309.976
Other revenue	3b	726.413	605.727
Cost of sales	3c	(2.054.874)	(2.148.854)
Gross profit		1.912.875	1.766.849
Other operating income	3d	37.138	41.900
Other operating expenses	3e	(44.705)	(37.557)
Selling and marketing expenses	3f	(22.194)	(25.897)
Administrative expenses	3g	(99.245)	(83.341)
Depreciation	5	(209.305)	(216.171)
Operating profit		1.574.564	1.445.783
Finance income		52.334	47.085
Finance expenses		(2.405)	(4.249)
Net finance income	3h	49.929	42.836
Profit before tax		1.624.493	1.488.619
Income tax expense	4	(166.915)	(3.932)
Profit for the year		1.457.578	1.484.687
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Investment Property revaluation surplus	6	4.032	55.325
Total comprehensive income for the year		1.461.610	1.540.012

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Notes	2014 MKD'000	2013 MKD'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	2.273.230	2.204.595
Investment properties	6	124.111	115.323
Investment in subsidiary		157.922	157.921
Exploration and evaluation assets	7	22.617	20.935
		2.577.880	2.498.774
Current assets			
Inventories	8	651.987	601.867
Trade and other receivables	9	369.413	304.874
Income tax receivable		812	4.707
Cash and short term deposits	10	860.323	2.539.582
		1.882.535	3.451.030
TOTAL ASSETS		4.460.415	5.949.804
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	1.747.730	1.747.730
Additional paid in capital		(14.869)	(14.869)
Retained earnings		1.533.170	3.159.953
Revaluation reserves		207.829	207.829
Revaluation reserves - investment property	6	59.357	55.325
Legal reserves		349.620	349.620
		3.882.837	5.505.588
Non-current liabilities			
Provision for retirement benefits	12	54.190	56.272
Provision for rehabilitation of quarries		8.088	10.413
		62.278	66.685
Current liabilities			
Trade and other payables	13	343.281	368.642
Current portion of retirement benefit obligations	12	6.488	8.849
Income tax payable		163.020	-
Dividend payable		2.511	40
		515.300	377.531
TOTAL EQUITY AND LIABILITIES		4.460.415	5.949.804

Authorized on behalf of the Board of Directors

Hrisafovi Boris
Chief Executive Director



Olivera Vasilkovska
Finance Manager

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STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	<i>Notes</i>	<i>2014</i> <i>MKD '000</i>	<i>2013</i> <i>MKD '000</i>
Cash flows from operating activities			
Profit before income taxes		1.624.493	1.488.619
<i>Adjustments for:</i>			
(Gain)/Losses, net on disposal of property, plant and equipment		-	(2.591)
Depreciation of PPE and investment properties		209.305	216.171
Actuarial losses, net		2.996	8.719
Interest income		(49.910)	(46.850)
Provision for obsolete inventory		6.902	-
Shortage of goods in the warehouse		263	17
Fair value (gain)/losses, net		(4.756)	-
Interest expense and bank charges		2.405	4.249
Write off trade receivables		212	87
NBV of disposed and written off PPE		1.522	2.283
Other provision		-	-
Operating profit before working capital changes		1.793.432	1.670.704
(Increase) / Decrease in trade and other receivables		(64.751)	46.282
(Increase) / Decrease in inventories		(57.285)	108.501
(Decrease) in trade and other payables		(27.990)	(84.440)
Cash generated from operations		1.643.406	1.741.047
Interest expense and bank charges paid		(2.405)	(4.249)
Income tax paid		(3.895)	(3.932)
Net cash flows generated from operations		1.637.106	1.732.866
Cash flows from investing activities			
Purchase of property, plant and equipment		(282.703)	(296.334)
Expenditures for exploration and evaluation assets		(1.682)	(468)
Proceeds from sale of property, plant and equipment		-	2.591
Interest income received		49.910	46.850
Net cash flows (used in) generated investing activities		(234.475)	(247.361)
Cash flows from financing activities			
Dividends paid to group shareholders		(2.632.561)	(396.075)
Dividends paid to minority shareholders		(140.893)	(21.569)
Tax on dividend		(308.436)	(46.404)
Net cash flows (used) in financing activities		(3.081.890)	(464.048)
Net increase in cash and cash equivalents		(1.679.259)	1.021.457
Cash and cash equivalents at 1 January		2.539.582	1.518.125
Cash and cash equivalents at 31 December	10	860.323	2.539.582

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	<i>Share capital</i> <i>MKD'000</i>	<i>Additional paid in capital</i> <i>MKD'000</i>	<i>Retained earnings</i> <i>MKD'000</i>	<i>Legal reserves</i> <i>MKD'000</i>	<i>Revaluation reserves</i> <i>MKD'000</i>	<i>Total</i> <i>MKD'000</i>
At 1 January 2014	1.747.730	(14.869)	3.159.953	349.620	263.154	5.505.588
Profit for the year	-	-	1.457.578	-	-	1.457.578
Other Comprehensive Income (See note 6)	-	-	-	-	4.032	4.032
Total Comprehensive income	-	-	1.457.578	-	4.032	1.461.610
Dividends, net	-	-	(2.775.925)	-	-	(2.775.925)
Tax on dividend	-	-	(308.436)	-	-	(308.436)
At 31 December 2014	1.747.730	(14.869)	1.533.170	349.620	267.186	3.882.837

On 29 May 2014 the Shareholders Assembly brought a Decision for distribution of dividend for the year ended 2013 in accordance with the Company Law. The dividend declared was in amount of MKD 467.676 thousand and taxed with tax on dividend distribution of 10% i.e. amount of MKD 51.964 thousand. Additionally, on 26 September 2014, the Shareholder Assembly brought a Decision for distribution of undistributed profit as of 31 December 2013. The dividend declared was in amount of MKD 2.308.249 thousand and taxed with tax on dividend distribution of 10% i.e. amount of MKD 256.472 thousand.

For the year ended 31 December 2013

	<i>Share capital</i> <i>MKD'000</i>	<i>Additional paid in capital</i> <i>MKD'000</i>	<i>Retained earnings</i> <i>MKD'000</i>	<i>Legal reserves</i> <i>MKD'000</i>	<i>Revaluation reserves</i> <i>MKD'000</i>	<i>Total</i> <i>MKD'000</i>
At 1 January 2013	1.747.730	(14.869)	2.139.314	349.620	207.829	4.429.624
Profit for the year	-	-	1.484.687	-	-	1.484.687
Other Comprehensive Income (See note 6)	-	-	-	-	55.325	55.325
Total Comprehensive Income	-	-	1.484.687	-	55.325	1.540.012
Dividends, net	-	-	(417.644)	-	-	(417.644)
Tax on dividend	-	-	(46.404)	-	-	(46.404)
As at 31 December 2013	1.747.730	(14.869)	3.159.953	349.620	263.154	5.505.588

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

Legal reserves

On 13 May 2013, the Board of Directors brought a Decision for changes in the Statute of the group, related with the Legal reserves regulated by the Company Law in order to be reconciled with the local Company Law who has suffered changes starting from 1 January 2013.

Namely, the percentage that is required to be allocated to these reserves has been decreased from at least 15% of the annual net profit to at least 5% until the balance of the reserves reaches 10% of the Group's share capital instead 20% as it was previous. The amount that exceeds 10% of the share capital could be used for dividend distribution based on decision of the shareholders assembly.

Therefore, the statutory reserves as of 31 December 2013 in amount of MKD 349.621 thousand comprise two amounts. Statutory reserves in amount of MKD 174.773 thousand can be used only for covering losses if the balance does not exceed 10% of the Group's share capital. The amount of MKD 174.848 thousand that exceed the prescribed limit (exceed 10% of the share capital) could be used for dividend distribution based on decision of the shareholders assembly.

1. Corporate information

Cementarnica "Usje" A.D. - Skopje ("the Company") is incorporated in the Republic of Macedonia with the registered address at Boris Trajkovski 94, Skopje.

The Company's main activity is production and trade with cement, masonry cement, ready mix concrete, clinker and other related products.

The Company is controlled by Titan Cement Netherlands B.V. registered in Netherlands, which has 94,84% shareholding in the Company. The Company's ultimate parent is Titan Cement Company S.A. - Greece.

The number of employees as of 31 December 2014 was 306 (31 December 2013: 324).

2. Basis of preparation and summary of significant accounting policies

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

a. Basis of preparation

The financial statements have been prepared under the historical cost convention except for investment properties that have been measured at fair value. The presentation currency is Denar (MKD) being also the functional currency and all values are rounded to the nearest thousand (000 MKD) except when otherwise stated.

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

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

The Company has two foreign subsidiaries, Cement Plus for building materials DOO - Kosovo with 65% holding and TROJAN CEM EOOD, Bulgaria with 100% holding, and one domestic subsidiary, RUDMAK DOOEL export-import Skopje with 100% holding. The Company does not prepare consolidated financial statements as the consolidation will be followed by the Titan Group. These subsidiaries are accounted for in these financial statements at cost less any impairment in value.

b. New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2014:

2. Basis of preparation and summary of significant accounting policies (continued)

b. New and amended standards and interpretations (continued)

- IAS 28 Investments in Associates and Joint Ventures (Revised)
- IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosures of Interests in Other Entities
- IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
- IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC Interpretation 21: Levies

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: *IFRIC 21 Levies*. IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no impact on the Company as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

c. Investments in subsidiaries

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

d. Foreign currency translation

Transactions denominated in foreign currencies are recorded, on initial recognition in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Monetary items of assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences arising on the settlement of monetary items at rates different from those at which they were initially recorded in the period are recognised as income or expense for the period in which they arise.

2. Basis of preparation and summary of significant accounting policies (continued)

e. Property, plant and equipment (continued)

Property, plant and equipment are stated as follows:

- those assets acquired up to 31 December 1998, the revaluation under the previous GAAP at the date of transition of the Company to IFRS (1 January 2004) was accepted as deemed cost since the revaluation was broadly comparable to depreciated cost under IFRS adjusted to reflect changes in general price index.
- those assets acquired after 31 December 1998 are stated at historical cost, net of accumulated depreciation and / or accumulated impairment loss, if any.

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

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

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

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

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

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

f. Investment property

Investment property, comprising of land, production premises with business offices and construction object - restaurant and cafeteria room, is held for long-term rental yields and is not occupied by the Company. The investment properties are stated at fair value, which reflects the market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on valuation performed by independent valuer using the income method and the market

2. Basis of preparation and summary of significant accounting policies (continued)

f. Investment property (continued)

comparison method as primary valuation methods which are generally accepted in European valuation practice.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the cost for subsequent accounting is the fair value at the date of change in use.

If owner-occupied property becomes an investment property, the Company's accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Any difference at that date between the carrying amount of the property in accordance with IAS 16 and its fair value was treated in the same way as a revaluation in accordance with IAS 16.

g. Exploration and evaluation assets

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

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

h. Financial instruments – initial recognition and subsequent measurement

(i) Financial assets

Initial recognition

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

2. Basis of preparation and summary of significant accounting policies (continued)

h. Financial instruments - initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

The Company's financial assets include cash and short-term deposits 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 includes derivative financial instruments not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in finance income or finance costs in the income statement. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are measured at amortized cost using the effective interest rate method (EIR). The gains and losses are recognized in the income statement in the moment when the loans and receivables are reversed or when the value is decreased due to impairment, and through the amortization process.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method. This method use effective interest rate which accurately discounts the estimated future cash flows through the use full life of the financial asset to net financial value of the financial asset. The gains and losses are recognized in the income statement in the moment when the investments are reversed or when the value is decreased due to impairment, and through the amortization process. The Company did not have any investments held to maturity during the period ended 31 December 2014 and the year ended 31 December 2013.

2. Basis of preparation and summary of significant accounting policies (continued)

h. Financial instruments - initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non derivative financial assets which are determinate as available for sales or aren't classified in the previous three categories. After initial measurement, available-for-sale financial investments are 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 gain or loss is reclassified to the income statement. The Company did not have any available-for-sale financial investments during the period ended 31 December 2014 and the year ended 31 December 2013.

Derecognition

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

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

Impairment of financial assets

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

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognized in the income statement.

2. Basis of preparation and summary of significant accounting policies (continued)

h. Financial instruments - initial recognition and subsequent measurement (continued)

(i) Financial assets (continued)

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

(ii) Financial liabilities

Initial recognition

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered 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 amortization process.

De-recognition

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

2. Basis of preparation and summary of significant accounting policies (continued)

h. Financial instruments - initial recognition and subsequent measurement (continued)

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 profit or loss.

Offsetting of financial instruments

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

i. Inventories

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

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

j. Cash and cash equivalents

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

k. Share capital

Ordinary shares are classified as equity.

l. Taxation

The tax expense for the period comprises current and deferred tax.

Current income tax

Current income tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is

2. Basis of preparation and summary of significant accounting policies (continued)

1. Taxation (continued)

subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

At the end of 2014 an old tax regime has been enforced and become applicable for calculation of income tax for 2014. The computation and payment of the income tax is in accordance with the new Income Tax Law. The payment of the monthly tax is in advance. The final tax with tax rate of 10% is calculated on the profit from the income statement, corrected for certain positions in accordance with the legislation.

As at 31 December 2013, the income tax expense comprised the current income tax on: non-deductible items and taxes on dividend distribution and was measured and recognized as follows:

Taxes on non deductible items

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

Taxes on dividend distribution and other distributions of profit

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

The tax rate for both 2014 and 2013 is 10%.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- where the deferred income tax liability arises from the initial recognition of the goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest 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:

2. Basis of preparation and summary of significant accounting policies (continued)

1. Taxation (continued)

- 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 transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred tax assets are recognized only to the extent that 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 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits 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 balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Value added tax

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

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

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

2. Basis of preparation and summary of significant accounting policies (continued)

m. Employee benefits

Pension

The Company, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated according to the statutory rates in force during the year, based on gross salaries and wages. Food allowances travel expenses and holiday allowances are also calculated according to the local legislation. The Company makes these contributions to the Government's health and retirement funds. The cost of these payments is charged to the profit or loss in the same period as the related salary cost.

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

Termination and retirement benefits

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

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

Total number of service years	Number of wages
10	1
20	3
30	3
35 (women)	3
40 (men)	3

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the discount rate of the Central Bank of Republic of Macedonia due to the absence of the market of high quality corporate bond or government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

2. Basis of preparation and summary of significant accounting policies (continued)

m. Employee benefits (continued)

Employee's children scholarships

Starting from 31 December 2009, included in the actuarial calculation of defined benefits are allowances for scholarships of Company employees children attending graduate or post graduate studies and for diseased employee children that are attending secondary school.

Additional benefits at retirement

Starting from 31 December 2013, the actuarial calculation of defined benefits has been supplement with calculation of the present value of the newly introduced long term benefit for certain category of employees - additional benefits at retirement. The calculation is made on the basis of the average parameters of the mentioned population and total expected amount for payment, delivered by the enterprise.

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

n. Provisions

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

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

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

o. Revenue recognition

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

Sales of goods

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

2. Basis of preparation and summary of significant accounting policies (continued)

Rendering of services

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

Interest income

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

Rental income

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

p. Leases

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

q. Dividends distribution

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

r. Subsequent events

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

s. Financial risk management

Accounting estimates and assumptions

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

Provisions for environmental restoration

Companies that operate quarries and processing sites are required to restore these quarries and processing sites at the end of their producing lives to a condition that is in line with the prevailing environmental legislation of the country in which the Company operates (to restore the land within 3 years after the closure of the mine site), to the level acceptable to the relevant authorities and to the level that is consistent with the Company's environmental policies and practices.

2. Basis of preparation and summary of significant accounting policies (continued)

s. Financial risk management (continued)

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

The present value of estimated restoration costs (that is, original estimation as well as changes in the accounting estimates) are charged to the profit or loss unless they relate to property, plant and equipment that is on the site, in which case the costs are included within property, plant and equipment and depreciated over the useful life of the related item of property, plant and equipment. Any change in the net present value of the environmental provision due to the passing of time is included in finance costs in the profit or loss.

Pension benefits

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

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

Other key assumptions for pension obligations are based in part on current market.

Fair value of financial instruments

The nominal value less estimated loss due to impairment of assets and payables with maturity less than one year is approximates their fair value.

t. 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.

3. Revenue and expenses

a) Sales

	<i>2014</i>	<i>2013</i>
	<i>MKD '000</i>	<i>MKD '000</i>
<i>Gross sales</i>		
Domestic market	2.746.194	2.731.676
Foreign market	495.142	578.300
	<u>3.241.336</u>	<u>3.309.976</u>
<i>Domestic market</i>		
Income from cement	2.595.688	2.585.048
Income from RMC	84.261	70.798
Income from white cement	52.550	48.895
Income from limestone	12.933	27.791
Sand	888	-
Discount	(126)	(856)
	<u>2.746.194</u>	<u>2.731.676</u>
<i>Foreign market</i>		
Income from cement	487.630	527.213
Income from clinker	-	34.956
Income from white cement	11.876	15.971
Income from sand	133	177
Discount	(4.497)	(17)
	<u>495.142</u>	<u>578.300</u>

b) Other revenues

	<i>2014</i>	<i>2013</i>
	<i>MKD '000</i>	<i>MKD '000</i>
Pet coke-export	513.739	492.542
Pet coke-domestic	141.160	39.636
Transport of cement - intercompany	15.445	36.234
Third part freight	51.925	32.189
Services	3.748	3.793
Sand	-	894
Additives	396	439
	<u>726.413</u>	<u>605.727</u>

3. Revenue and expenses (continued)

c) Cost of sales

	<i>2014</i>	<i>2013</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Distribution expenses	60.064	63.714
<i>Variable costs</i>		
Kiln fuel	367.162	428.345
Electricity	217.329	262.923
Raw materials	112.993	155.042
Other variable cost	94.356	109.334
Admixtures - additives	26.543	18.756
Refractory	19.478	17.430
Grinding media	6.554	7.922
Fuel & oil	1.070	6.756
Total Variable costs	845.485	1.006.508
<i>Fixed costs</i>		
Salaries & other benefits	260.981	264.001
Third parties fees - contract labour	57.124	48.114
Maintenance & spare parts	51.643	47.357
Other plant utilities	26.764	33.289
Other fixed costs (quality, dispatch, etc.)	43.397	35.149
Lining	5.122	6.765
Insurance premium	5.470	6.384
Car related expenses	2.519	2.566
IT & Telecoms	2.064	2.505
Travelling & Entertainment	3.214	2.144
Total Fixed costs	458.298	448.274
Inventory change	(13.400)	(10.765)
Packing expenses	150.046	165.554
Cost of traded goods	554.381	475.569
	2.054.874	2.148.854

3. Revenue and expenses (continued)

d) Other operating income

	<i>2014</i> <i>MKD'000</i>	<i>2013</i> <i>MKD'000</i>
Rent income	17.835	15.802
Retention of paid salaries based on the Supreme court's decision	-	5.670
Fair value gain	5.102	5.101
Gain from disposed fixed assets		3.086
Actuarial gains and reversal of unused provision	4.219	2.511
Scrap	3.494	2.294
Income from re-exported equipment	1.515	1.510
Write off - trade creditors	-	1.183
Turnover discount for bags	-	1.060
Revenues from sold fixed assets	-	617
Income from other services	344	368
Collected damages from insurance companies	-	354
Revenues from sold materials	2.696	284
Others	1.933	2.060
	<u>37.138</u>	<u>41.900</u>

Rent income in amount of MKD 17.835 thousand (2013: MKD 15.802 thousand) consist of rented business premises space together with the re-invoiced utilities in amount of MKD 13.992 thousand (2013: MKD 12.630 thousand) all to third parties and RMC pump, silo trucks and oil tanks in amount of MKD 3.843 thousand (2013: MKD 3.172 thousand).

Fair value gain in amount of MKD 5.102 thousand (2013: MKD 5.101 thousand) relates to fair value re-measurement of the Investment property (See Note 6) as of 31 December 2014 recognised in the Company's profit and loss.

The actuarial gains and reversal of unused provision for employee's benefits in amount of MKD 4.219 thousand (2013: MKD 2.511 thousand) relates to changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit method (See Note 12).

3. Revenue and expenses (continued)

e) Other operating expenses

	<i>2014</i> <i>MKD'000</i>	<i>2013</i> <i>MKD'000</i>
Actuarial losses and provision	7.215	11.217
Staff leaving indemnities (including VELP)	15.700	5.310
Business premises costs	5.360	4.839
Fair value losses	346	4.192
Paid salaries based on the Supreme court's decision	-	3.005
Net book value of disposed fixed assets	1.515	2.127
Other non mentioned losses	1.345	1.492
Promotion and advertisement	1.893	1.407
Compensation for vehicles at a standstill	-	1.241
Correction of accrued income for pallets	-	1.040
Capital loss from sale of fixed assets		495
Withholding tax	6	155
Cost of sold materials	3.376	89
Write off receivables	212	87
Shortage of goods in warehouse	263	9
Provision for obsolete inventory	6.902	8
Penalties for non-fulfilment of obligations	129	-
Other	443	844
	44.705	37.557

The amount of MKD 7.215 thousand (2013: MKD 11.217 thousand) represents actuarial losses, additional finance costs and current service costs related to employees benefits which arise from experience adjustments and changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit (see Note 12).

Staff leaving indemnities (including VELP) in amount of MKD 15.700 thousand relates to 21 employees who applied for the voluntary leaved scheme.

Business premises costs in amount of MKD 5.360 thousand (2013: MKD 4.839 thousand) consist of MKD 4.881 thousand (2013: MKD 3.999 thousand) related to re-invoiced utilities from rented Property, Plant and Equipment and MKD 479 thousand (2013: MKD 840 thousand) related to water fee for the Cementarnica USJE's football club.

Fair value losses in amount of MKD 346 thousands relates to fair value re-measurement of the Investment property (See Note 6) as of 31 December 2014 recognised in the Company's profit and loss (2013: 4.192 thousand).

Provision for obsolete inventory of MKD 6.902 thousand is made based on regular annual inventory count and refers to write-off of aged and unused spare parts.

3. Revenue and expenses (continued)

f) Selling and marketing expenses

	<i>2014</i>	<i>2013</i>
	<i>MKD '000</i>	<i>MKD '000</i>
Salaries and related expenses	16.387	19.534
Car expenses	1.952	1.978
Accommodation	1.523	1.752
Promotion and advertisement	1.101	1.165
IT & Telecoms	615	854
Travel expenses	174	112
Other expenses	442	502
	<u>22.194</u>	<u>25.897</u>

g) Administrative expenses

	<i>2014</i>	<i>2013</i>
	<i>MKD '000</i>	<i>MKD '000</i>
Salaries and related expenses	44.458	42.411
Third Party fees	30.361	15.411
Promotion and advertisement	9.691	10.755
Car expenses	3.479	3.627
Accommodation	3.436	3.262
Travel expenses	2.246	1.944
IT & Telecoms	1.461	1.277
Other expenses	4.113	4.654
	<u>99.245</u>	<u>83.341</u>

h) Net finance income

	<i>2014</i>	<i>2013</i>
	<i>MKD '000</i>	<i>MKD '000</i>
Interest income	49.910	46.850
Bank charges	(2.388)	(2.306)
Interest expense	(17)	(1.943)
Net foreign exchange (losses)	2.424	235
	<u>49.929</u>	<u>42.836</u>

The interest income in amount of MKD 49.910 thousand (2013: MKD 46.850 thousand) relates to received interest related to the foreign currency time deposits in the banks and current operations.

4. Income tax

The income tax comprises:

	<i>2014</i> <i>MKD '000</i>	<i>2013</i> <i>MKD '000</i>
Current Income tax	166.915	-
Tax on non-deductible expenses	-	3.932
	<u>166.915</u>	<u>3.932</u>

At the end of 2014, new tax regime has been enforced reintroducing the taxation of realized profits (for further details on the corporate tax regime effective as at 31 December 2014 and as at 31 December 2013 please refer to Note 21).

As of 31 December 2013, the tax on non-deductible expenses is as follows:

	<i>2013</i> <i>MKD '000</i>
<i>Tax on non-deductible expenses:</i>	
Other compensations to the employees	2.242
Expenses not related to the main activities	479
Entertainment	420
Penalties and WHT	211
Sponsorship and donations	109
Scholarship	458
Provision for bad debts	8
Other	5
	<u>3.932</u>

As of 31 December 2014, the current income tax is as follows:

	<i>2014</i> <i>MKD '000</i>
Net profit before income tax	<u>1.624.493</u>
At statutory income tax rate of 10%	162.449
<i>Tax on non-deductible expenses:</i>	4.466
Other compensations to the employees	2.208
Expenses not related to the main activities	249
Entertainment	497
Penalties and WHT	16
Sponsorship and donations	267
Scholarship	490
Provision for bad debts	22
Other	717
	<u>166.915</u>

5. Property, plant and equipment

	<i>Land and Buildings MKD '000</i>	<i>Equipment MKD '000</i>	<i>Construction in progress MKD '000</i>	<i>Total MKD '000</i>
Cost				
At 1 January 2014	3.156.989	4.445.715	294.149	7.896.853
Additions	48.575	4.984	225.903	279.462
Transfers from CIP	26.665	264.070	(290.735)	-
Transfer to IP	(332)	-	-	(332)
Disposals and write offs	-	(10.352)	-	(10.352)
At 31 December 2014	<u>3.231.897</u>	<u>4.704.417</u>	<u>229.317</u>	<u>8.165.631</u>
Depreciation				
At 1 January 2014	2.073.503	3.618.755	-	5.692.258
Charge for the period	24.526	184.779	-	209.305
Transfer to IP	(332)	-	-	(332)
Disposals and write offs	-	(8.830)	-	(8.830)
At 31 December 2014	<u>2.097.697</u>	<u>3.794.704</u>	<u>-</u>	<u>5.892.401</u>
Net book value at 31 December 2014	<u>1.134.200</u>	<u>909.713</u>	<u>229.317</u>	<u>2.273.230</u>
Net book value at 1 January 2014	<u>1.083.486</u>	<u>826.960</u>	<u>294.149</u>	<u>2.204.595</u>

6. Investment property

	<i>2014 MKD '000</i>	<i>2013 MKD '000</i>
Opening balance at 1 January	115.323	80.703
Additions	-	-
Transfer from PPE (Note 5)	-	2.657
Transfer to PPE (Note 5)	-	(24.271)
Net gain from fair value adjustment	4.756	909
Revaluation reserves from fair value re-measurement	4.032	55.325
Closing balance at period/year end	<u>124.111</u>	<u>115.323</u>

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

6. Investment property (continued)

	<i>2014</i> <i>MKD'000</i>	<i>2013</i> <i>MKD'000</i>
Rental income derived from investment properties	9.105	8.614
Direct operating expenses (including repairs and maintenance) generating rental income	-	-
Profit arising from investment properties carried at fair value	<u>9.105</u>	<u>8.614</u>

During 2014, the Company has changed the use of certain properties, such as part of building from owner-occupied to investment property. Prior to their reclassification, they were carried in the Company's statement of financial position at cost less any accumulated depreciation.

As of 31 December 2014 the Company revalued its investment property on the basis of a valuation performed by an independent valuer, Grant Thornton Consulting Doo Skopje, who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The valuation model in accordance with that recommended by International Valuation standards Committee has been applied.

The fair value measurement was made using valuation techniques for which the lowest level input that is significant to the fair measurement is unobservable (level 3).

Description of methodology used and key inputs to valuation on investment properties:

	Methodology	Inputs	Ranges
Buildings plot	Income method	Vacancy rate	5%
		Landlord costs Capitalization rate	5% 11,79%
Land plot	Market approach - sales comparison method	Asking prices of comparable land plots in the region of Municipality Kisela Voda -Skopje and similar other locations	30 to 80 euro/m2

Significant increases (decreases) in the estimated landlord costs would result in a significant lower (higher) fair value of properties. Significant increases (decreases) in the capitalization rate in isolation would result in a significant lower (higher) fair value of properties.

As a result of the valuation, as at 31 December 2014 the carrying value of the Company's investment property is adjusted / increased for the amount of MKD 8.788 thousand. Part of the gain in the amount of MKD 4.032 thousand resulting from fair value re-measurement at the moment of change of use during 2014 from owner-occupied to investment property as explained above, has been recognized in other comprehensive income and presented in the revaluation reserve (See: Statement of changes in equity).

Remaining fair value gains in amount of MKD 5.102 thousand and fair value losses in amount of MKD 346 thousand, or net, in the amount of MKD 4.756 thousand has been recognized in the Company's profit and loss for the year ended 31 December 2014 (See Notes 3d and 3e).

7. Exploration and evaluation assets

	<i>Exploration and evaluation of mineral recourses MKD '000</i>	<i>Total MKD '000</i>
Cost		
At 1 January 2014	42.976	42.976
Additions	1.682	1.682
At 31 December 2014	<u>44.658</u>	<u>44.658</u>
Depreciation		
At 1 January 2014	22.041	22.041
Charge for the period	-	-
At 31 December 2014	<u>22.041</u>	<u>22.041</u>
Net book value at 31 December 2014	<u>22.617</u>	<u>22.617</u>
Net book value at 1 January 2014	<u>20.935</u>	<u>20.935</u>

8. Inventories

	<i>2014 MKD '000</i>	<i>2013 MKD '000</i>
Spare parts	245.655	252.007
Consumable stores	132.073	146.647
Finished goods	69.105	80.128
Raw materials and fuel	137.932	79.993
Semi-finished goods	56.522	32.100
Packing materials	10.519	10.771
Goods for resale	180	189
Prepayments for inventory purchase	1	32
	<u>651.987</u>	<u>601.867</u>

9. Trade and other receivables

	<i>2014 MKD '000</i>	<i>2013 MKD '000</i>
Trade debtors	320.264	250.142
Prepayments	6.766	18.017
Advances to suppliers	6.579	1.300
Other current assets	35.804	35.415
	<u>369.413</u>	<u>304.874</u>

9. Trade and other receivables (continued)

Trade receivables are non-interest bearing and are generally on 0 - 75 days terms.

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

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
2014	320.264	163.352	90.399	63.427	2.458	12	616
2013	250.142	222.191	11.498	14.839	495	-	1.119

10. Cash and cash receivables

	2014 MKD '000	2013 MKD '000
Bank deposits	833.640	2.501.459
Cash at bank	26.669	38.094
Cash at hand	14	29
	<u>860.323</u>	<u>2.539.582</u>

11. Share capital

<i>Authorized, issued and fully paid</i>	<i>Number of shares</i>	<i>% holding</i>
Titan Cement Netherlands B.V. - ordinary shares of MKD 3.100 each	534.667	94.84%
Other shareholders - ordinary shares of MKD 3.100 each	29.117	5.16%
	<u>563.784</u>	<u>100%</u>
		<i>Amount MKD '000</i>
Share capital as registered		1.747.730
Less: Additional paid in capital		(14.869)
At 31 December 2014 and 31 December 2013		<u>1.732.861</u>
<i>Dividends paid and proposed</i>		<i>MKD '000</i>
<i>Declared and paid during the period ended 31 December 2013</i>		
Final dividend for 2012:		
MKD 740,78 per share		
Declared:		417.644
Paid:		<u>417.642</u>

11. Share capital (continued)

Declared and paid during the period ended 31 December 2014

Final dividend for 2011,2012 and 2013:

MKD 4.923,74 per share

Declared:

2.775.925

Paid:

2.773.455

Dividends declared and paid for the year ended 31 December 2013 and year ended 31 December 2014 entirely relate to cash dividends on ordinary shares.

12. Provision for retirement benefits

	<i>2014</i>	<i>2013</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Defined retirement benefit obligations	20.189	23.122
Defined jubilee anniversary award obligations	18.729	18.813
Defined scholarship obligations	19.617	21.548
Defined retirement benefit provision - other	2.143	1.638
	<u>60.678</u>	<u>65.121</u>
<i>Analyzed as:</i>		
Non-current portion	54.190	56.272
Current portion	6.488	8.849
	<u>60.678</u>	<u>65.121</u>

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

	<i>2014</i>	<i>2013</i>
	<i>MKD'000</i>	<i>MKD'000</i>
At 1 January	65.121	67.931
Current service costs	3.563	3.942
Interest cost	2.697	3.223
Recognised actuarial (gains)/losses, net	(2.357)	(1.428)
Reservation for retention plan	504	1.639
	<u>69.528</u>	<u>75.307</u>
Benefits paid during the year	(7.438)	(11.516)
(Gains)/losses,- net, from reconciling the actuarial calculation	(1.412)	1.330
Unused provision reversed	-	-
At 31 December	<u>60.678</u>	<u>65.121</u>

12. Provision for retirement benefits (continued)

The amounts recognised in the profit and loss are as follows:

	2014 MKD'000	2013 MKD'000
Current service costs	3.563	3.942
Interest cost	2.697	3.223
Recognised actuarial (gains)/losses, net	(2.357)	(1.428)
Reservation for retention plan	504	1.639
(Gains)/losses, net, from reconciling the actuarial calculation	(1.412)	1.330
	<u>2.995</u>	<u>8.706</u>

A quantitative sensitivity analysis for change in the discount rate and wage growth as at 31 December 2014 and 2013 is as shown below:

2014

Assumptions Sensitivity Level	Discount rate		Wage growth	
	1% increase	1% decrease	1% increase	1% decrease
	In %	In %	In %	In %
<i>Retirement benefits</i>				
Impact on the net defined benefit obligations	(6,14)	6,85	7,02	(6,40)
<i>Jubilee awards</i>				
Impact on the net defined benefit obligations	(4,54)	5,02	5,17	(4,75)

2013

Assumptions Sensitivity Level	Discount rate		Wage growth	
	1% increase	1% decrease	1% increase	1% decrease
	In %	In %	In %	In %
<i>Retirement benefits</i>				
Impact on the net defined benefit obligations	(5,75)	6,41	6,57	(5,99)
<i>Jubilee awards</i>				
Impact on the net defined benefit obligations	(4,88)	5,4	5,54	(5,09)

12. Provision for retirement benefits (continued)

The following payments are expected contributions to be made in the future years:

	<i>Company</i> 2014 MKD'000	2013 MKD'000
Year 1	6.489	8.826
Year 2	7.854	9.489
Year 3	10.074	10.077
Year 4	10.462	10.556
Year 5	7.637	9.339
Years 6-10	21.450	20.699
Over 10 years	46.312	93.297

The principal actuarial assumptions used in 2014 by the independent actuaries were as follows:

- a) Live probability and mortality by age and sex are determined according to the Mortality Table for the population of Republic of Macedonia for the period 1980-1982;
- b) The rate of fluctuation of employees is insignificant and it has not been taken into account in the calculation. On the basis of delivered information for leaving the company in the previous years, it can be determined that the influence of this category of employees is insignificant in relation to the total population of employees. Because of that, leaving the enterprise on this basis is not considered;
- c) Employee's retirement in the future will be according to the current legislative (64 for male and 62 for female);
- d) The calculation is prepared only for the current population of employees in the enterprise, excluding all employees that will be employed in the future. It is based on the assumption for continuity of service of employees in this enterprise (assumption for continuity of service);
- e) The actuarial calculation also refers to the children that at the moment are provided scholarships according to the policy of the enterprise for payment of scholarships to the children of employees that are studying on regular graduate or postgraduate studies. Also, the calculation takes into account the children that are not yet at age for beginning of studies, with assumption that 100% of them will be enrolled at university in 2014, and 50% in the later years, and
- f) Starting from 31 December 2013, the actuarial calculation of defined benefits has been supplemented with calculation of the present value of the newly introduced long term benefit for certain category of employees - *additional benefits at retirement*. The calculation is made on the basis of the average parameters of the mentioned population and total expected amount for payment, delivered by the company. The present value of future benefits is calculated applying the abovementioned demographic, financial and other assumptions.

The used financial assumptions were as follows:

Nominal annual increase of the average republic net salary: 1,5%;

Discount rate: 4,8%

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

13. Trade and other payables

	<i>2014</i> <i>MKD'000</i>	<i>2013</i> <i>MKD'000</i>
Trade creditors	280.346	280.230
Customer prepayments	7.084	7.023
Tangible assets creditors	29.887	55.652
Other current liabilities	25.964	25.737
	<u>343.281</u>	<u>368.642</u>

14. Contingences and Commitments

Contingent liabilities

	<i>2014</i> <i>MKD'000</i>	<i>2013</i> <i>MKD'000</i>
Bank guarantees	325.416	110.940
Performance guarantees	414	308
Bill of exchange	-	20.000
	<u>325.830</u>	<u>131.248</u>

As of 31 December 2014, the Company has obtained a Bank payment guaranties from:

- Halk Banka in favour of Customs of MKD 15.000 thousand valid till 19 March 2016, in favour of MEPSO AD Macedonia of MKD 3.396 thousand for transmission of electricity valid till 30 January 2015, in favour of Makpetrol AD Skopje of MKD 5.000 thousand related to the purchase of natural gas valid till 31 January 2015;
- Ohridska Banka in favour of MOL Hungarian Oil and Gas PLC for pet coke of MKD 46.111 thousand valid until 15 March 2015, in favour of Codascope S.A. Panama for purchase of crude oil in amount of MKD 7.276 thousand valid until 15 February 2015, in favour of Customs for payment of excise and vat in amount of MKD 246.780 thousand valid until 26 February 2016 and in favour of Radomir Metal Industries Corp. for purchase of shaft and roll in amount of MKD 1.853 thousand valid until 15 January 2015

Furthermore, the Company has obtained bank payment guarantees from Tutunska Bank in total of MKD 414 thousand in favour of the Ministry of Economy for realisation of concession agreements.

14. Contingences and Commitments (continued)

Commitments

Lease commitments - company as lessee

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

	<i>2014</i>	<i>2013</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Up to 1 year	4.861	5.727
Later than 1 year and not later than 5 year	4.269	9.301
	<u>9.130</u>	<u>15.028</u>

Purchase commitments

As at 31 December 2014, the Company has entered into contracts for the purchase of electricity amounting to MKD 48.157 thousand only for the first quarter of 2015.

15. Related party transactions

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

The following transactions were carried out with the related parties:

a) Sales of goods and services

	<i>2014</i>	<i>2013</i>
	<i>MKD'000</i>	<i>MKD'000</i>
<i>Ultimate Parent:</i>		
Titan Cement Company-pet coke	-	20.730
Titan Cement Company-freight revenue	-	3.046
<i>Subsidiary:</i>		
Cement Plus Ltd - cement, sand and white cement	472.020	519.687
Cement Plus Ltd - freight revenue	13.928	25.968
Trojan Cem EOOD Sofija – cement	1.911	3.230
Trojan Cem EOOD Sofija – freight	1.517	2.564
<i>Entities under common control of ultimate parent:</i>		
SHARRCEM SH.P.K-pet coke	513.739	471.812
SHARRCEM SH.P.K-clinker	-	34.956
SHARRCEM SH.P.K-white cement	11.876	15.971
SHARRCEM SH.P.K- freight revenue	-	4.655
SHARRCEM SH.P.K- silos	1.515	1.513
SHARRCEM SH.P.K- materials and services	1.221	427
Titan Cementara Kosjeric - others	-	160
	<u>1.017.727</u>	<u>1.104.719</u>

15. Related party transactions (continued)

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

Receivables from related parties	<i>2014</i>	<i>2013</i>
	<i>MKD'000</i>	<i>MKD'000</i>
<i>Subsidiary:</i>		
Trojan Cem EOOD SOFIJA - grey cement	1.980	2.099
Cement Plus Ltd - cement, sand and white cement	2.404	-
<i>Entities under common control of ultimate parent:</i>		
SHARRCEM SH.P.K-pet coke	97.645	71.642
SHARRCEM SH.P.K-clinker	-	39.599
SHARRCEM SH.P.K-white cement	1.426	972
SHARRCEM SH.P.K-silos	-	755
SHARRCEM SH.P.K –materials and services	-	402
	<u>103.455</u>	<u>115.469</u>
 b) Purchases of goods and services		
	<i>2014</i>	<i>2013</i>
	<i>MKD'000</i>	<i>MKD'000</i>
<i>Ultimate Parent:</i>		
Titan Cement Company - white cement and pet coke	491.218	483.543
Titan Cement Company-silos	4.141	4.511
Titan Cement Company-materials and services	1.304	1.600
<i>Entities under common control of ultimate parent:</i>		
Balkcem Limited - technical fee	26.861	8.618
SHARRCEM SH.P.K - cost of traded goods	-	468
SHARRCEM SH.P.K-other	-	15
Titan Cementarnica Kosjeric - donation	481	-
Titan Zlatna Panega - materials	107	-
	<u>524.112</u>	<u>498.755</u>

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

Payables to related parties	<i>2014</i>	<i>2013</i>
	<i>MKD'000</i>	<i>MKD'000</i>
<i>Ultimate Parent:</i>		
Titan Cement Company - WC, pet coke and services	29.399	3.800
Titan Cement Company-silos	-	750
<i>Subsidiary:</i>		
Cement Plus Ltd. - prepayments	-	650
<i>Entities under common control of ultimate parent:</i>		
Balkcem Limited - technical fee	5.990	7.756
SHARR CEM SH.P.K-grey cement	-	118
	<u>35.389</u>	<u>13.074</u>

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

16. Financial risk management objectives and policies

The Company’s principal financial instruments comprise of trade payables. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

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

a) Interest risk

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

b) Foreign exchange risk

The Company’s exposure to foreign currency risk is minimal due to the fact that the majority of foreign currency transactions relating to selling and purchases are denominated in EURO, which was stable during this half year period.

c) Liquidity risk

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

The table below summarises the maturity profile of the Company’s financial liabilities at 31 December 2014 and 31 December 2013 based on contractual undiscounted payments.

Period ended 31 December 2014

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	244.957	-	-	-	244.957
Other payables	-	62.935	-	-	-	62.935
Payables to related parties	-	35.389	-	-	-	35.389

Year ended 31 December 2013

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	267.156	-	-	-	267.156
Other payables	-	88.412	-	-	-	88.412
Payables to related parties	-	13.074	-	-	-	13.074

16. Financial risk management objectives and policies (continued)

d) Credit risk

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

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, available-for-sale financial investments and other financial assets (non-current), the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following shareholders' approval. No changes were made in the objectives, policies or processes during the periods ended 31 December 2014 and 31 December 2013.

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

	<i>2014</i>	<i>2013</i>
	<i>MKD '000</i>	<i>MKD '000</i>
EBITDA	<u>1.783.869</u>	<u>1.661.954</u>

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

Appendix A

Financial Statements for the year ended 31 December 2014

Supplementary information concerning the calculation of EBITDA

	<i>2014</i>
	<i>MKD'000</i>
Sales	3.241.336
Other revenue	726.413
Cost of sales	<u>(2.054.874)</u>
Gross profit	1.912.875
Other operating income	37.138
Other operating expenses	(44.705)
Selling and marketing expenses	(22.194)
Administrative expenses	(99.245)
Depreciation	<u>(209.305)</u>
Profit from operating activities	EBIT 1.574.564
Finance income	57.557
Finance costs	<u>(7.628)</u>
Net finance income	49.929
Profit before tax	EBT 1.624.493
Income tax expenses	(166.915)
Profit for the year	<u>1.457.578</u>
Other comprehensive income	<u>4.032</u>
Total comprehensive income for the year	<u>1.461.610</u>
EBIT	1.574.564
Depreciation and amortisation	209.305
EBITDA	<u>1.783.869</u>