

SharrCem SH.P.K. Hani i Elezit

Financial statements

For the year ended

31 December 2014

with Independent auditor's report

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Ernst & Young Certified Auditors Ltd -
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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 2014, 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 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 24 to the accompanying financial statements, which describes the background of an open tax claim originating in 2010 and related court appeal in front of the Fiscal Department of Basic Court filed by the Company on 16 December 2014. As of the date the accompanying financial statements were authorised for issue, the latter court case has not been completed, however, as further disclosed in note 24, the management expects that the case will be finally closed with favourable outcome for the Company.

Ernst & Young




Ernst & Young Certified Auditors Ltd. - Kosovo,
Prishtinë, 09 February 2015

Statement of financial position

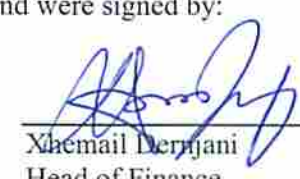
As at 31 December 2014

<i>In Euro</i>	<i>Note</i>	31 December 2014	31 December 2013
Assets			
Property, plant and equipment	16	41.586.098	42.214.481
Intangible assets	16	28.895	19.410
Total non-current assets		41.614.993	42.233.891
Inventories	17	7.791.148	5.827.452
Trade and other receivables	18	2.091.794	1.846.176
Advances given and prepayments		634.784	471.183
Current tax asset		784.389	1.126.093
Cash and cash equivalents	19	2.358.838	13.253.869
Total current assets		13.660.953	22.524.773
Total assets		55.275.946	64.758.664
Equity			
Owner's capital	20	6.201.001	6.201.001
Retained earnings		43.605.847	54.522.919
Total equity		49.806.848	60.723.920
Liabilities			
Deferred tax liabilities	15	351.199	263.399
Employees' termination benefit	21	332.786	-
Other non-current liabilities		257.227	-
Total non-current liabilities		941.212	263.399
Trade and other payables	22	3.727.622	3.379.662
Employees' termination benefit, current portion	21	251.698	-
Income tax payable		272.690	-
Customer prepayments		57.355	173.162
Provisions	23	218.521	218.521
Total current liabilities		4.527.886	3.771.345
Total liabilities		5.469.098	4.034.744
Total equity and liabilities		55.275.946	64.758.664

The financial statements and the notes set out on pages 7 to 41 were authorized for issue by the directors of SharrCem SH.P.K., Hani i Elezit on 31 January 2015 and were signed by:


Emmanuel Mitsou
Managing Director


Nikos Moussouras
Chief Financial Officer


Xhemail Derrjani
Head of Finance

Statement of comprehensive income

For the year ended 31 December 2014

<i>In Euro</i>	Notes	31 December 2014	31 December 2013
Revenue	8	39.923.959	39.213.731
Cost of sales	9	(29.718.600)	(30.659.927)
Gross profit		10.205.359	8.553.804
Other operating income	10	399.706	111.674
Administrative expenses	11	(1.934.772)	(1.950.783)
Selling Expenses	12	(575.802)	(348.926)
Other operating expenses	13	(764.991)	(10.769)
Operating profit		7.329.500	6.355.000
Finance income		2.057	37.141
Finance cost		(52.849)	(53.240)
Net finance cost	14	(50.792)	(16.099)
Profit before tax		7.278.708	6.338.901
Income tax expense	15	(1.227.606)	(715.548)
Profit for the year		6.051.102	5.623.353
Other comprehensive income for the year		-	-
Total comprehensive income for the year		6.051.102	5.623.353

The notes on pages 7 to 41 are an integral part of these financial statements

Statement of changes in equity

For the year ended 31 December 2014

<i>In Euro</i>	Owner's capital	Retained earnings / IFRS	Accumulated profit	Total
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 20)	-	-	(4,638,386)	(4,638,386)
At 31 December 2013	6,201,001	29,885,092	24,637,826	60,723,919
As at 1 January 2014	6,201,001	29,885,092	24,637,826	60,723,919
Profit or loss	-	-	6,051,102	6,051,102
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	6,051,102	6,051,102
Dividends (Note 20)	-	-	(16,968,174)	(16,968,174)
At 31 December 2014	6,201,001	29,885,092	13,720,755	49,806,848

Statement of cash flow

For the year ended 31 December 2014

<i>In Euro</i>	<i>Note</i>	31 December 2014	31 December 2013
Cash flows from operating activities			
Profit after tax		6,051,102	5,623,353
<i>Adjustments for:</i>			
Depreciation and amortisation		3,687,835	3,316,394
(Gains) from sales of PPE		(4,353)	10,772
(Gains) from inventory surplus		(357,686)	-
Finance income	<i>14</i>	(2,057)	(37,141)
Finance expenses	<i>14</i>	52,849	53,240
Income tax expense	<i>15</i>	1,227,606	715,548
		<u>10,655,296</u>	<u>9,682,166</u>
Change in inventories		(1,606,010)	193,834
Change in trade and other receivables		(409,219)	1,850,705
Change in trade and other payables		1,073,864	(315,858)
Change in provisions		-	(88,071)
Cash generated from operating activities		<u>9,713,931</u>	<u>11,322,776</u>
Interest paid		(52,849)	(53,240)
Income tax paid		(525,412)	(1,057,732)
Net cash from operating activities		<u>9,135,670</u>	<u>10,211,804</u>
Cash flows from investing activities			
Interest received		2,056	37,141
Purchase of property, plant and equipment		(3,068,936)	(3,027,162)
Proceeds from sale property, plant and equipment		4,353	1,723
Proceeds from loans given to associates		-	-
Net cash used in investing activities		<u>(3,062,527)</u>	<u>(2,988,298)</u>
Cash flows from financing activities			
Dividends paid		(16,968,174)	(4,638,386)
Net cash from financing activities		<u>(16,968,174)</u>	<u>(4,638,386)</u>
Net decrease in cash and cash equivalents		(10,895,031)	2,585,120
Cash and cash equivalents at 1 January		13,253,869	10,668,749
Cash and cash equivalents at 31 December	<i>17</i>	<u>2,358,838</u>	<u>13,253,869</u>

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 privatization 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 honored 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 reorganization 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 reorganization 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 mainly on the Kosovo market.

2. Basis of preparation

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

The financial statements 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 2014:

- *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*

The amended IFRSs do not have impact on the annual financial statements of the Company.

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.

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.

Notes to the financial statements

Useful lives of property plant and equipment, and intangible assets

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and their residual values. The determination of the useful lives of the assets is based on management's judgment. Further details are provided in Note 3 (e) and Note 3 (d).

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 is 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.

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.

Notes to the financial statements

3. Significant accounting policies (continued)

(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 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 18.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method (EIR). The EIR amortization is included in finance income in the income statement. The losses arising from impairment are

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Financial assets (continued)

recognized in the income statement in the finance costs. The Company did not have any investments held to maturity during the year ended 31 December 2014 and 2013.

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 2014 and 2013.

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.

Impairment of financial assets

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

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

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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 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 2014 and 2013.

De-recognition

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

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

Notes to the financial statements

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial liabilities

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position 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.

(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 privatization 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 labor, any other cost directly attributable to bring the assets to a working condition for their intended use, the

Notes to the financial statements

3. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized 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 recognized 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 recognized 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 derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

(iii) Depreciation

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

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

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

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

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

(f) Inventories

Inventories are valued at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Notes to the financial statements

3. Significant accounting policies (continued)

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

Impairment losses recognized 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 amortization, if no impairment loss had been recognized.

(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 recognized 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 recognized for the amount expected

Notes to the financial statements

3. Significant accounting policies (continued)

(i) Employee benefits (continued)

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.

(iii) Employees' termination 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. At initial recognition and subsequent re-measurement, termination benefits are measured in accordance with the nature of the employee benefit i.e.:

- termination benefits expected to be settled within the twelve months period after the end of the reporting period in which the termination benefit is recognised are recognized at undiscounted amount;
- termination benefits expected to be settled after the twelve months after the end of the reporting period, are discounted to the present value of the termination benefit using a discount rate that reflects the current market rates appropriate to the timing and the amount of the termination benefit payments.

(j) Provisions

A provision is recognized 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 recognized as finance cost. The provisions comprise of provision for site restoration. Provisions are not recognized 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 recognized 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 recognized 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

Notes to the financial statements

3. Significant accounting policies (continued)

probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

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.

(l) Finance income and finance costs

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

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

Borrowing costs that are not directly attributable to the acquisition construction or production of a qualifying asset are recognized 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 recognized in profit or loss except to the extent that it relates to a business combination, or items recognized 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 recognized 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:

Notes to the financial statements

3. Significant accounting policies (continued)

(m) Taxes (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 the transaction, affects neither the accounting profit nor taxable profit or loss;
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Notes to the financial statements

4. Standards issued but not yet effective (continued)

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**
The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The Company is in the process of assessing the impact of this amendment on its financial position or performance.
- **IFRS 9 Financial Instruments – Classification and measurement**
The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The Company is in the process of assessing the impact of this amendment on its financial position or performance.
- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**
The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has no impact on the Company.
- **IFRS 14 Regulatory Deferral Accounts**
The standard is effective for annual periods beginning on or after 1 January 2016. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The amendment has no impact on the Company.

Notes to the financial statements

4. Standards issued but not yet effective (continued)

- **IFRS 15 Revenue from Contracts with Customers**
The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Company is in the process of assessing the impact of this amendment on its financial position or performance.
- **IAS 27 Separate Financial Statements (amended)**
The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. The amendment has no impact on the Company.
- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have no impact on the Company.
- **The IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. These improvements will not have an impact on the Company, but include:
 - *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
 - *IFRS 7 Financial Instruments: Disclosures*: The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
 - *IAS 19 Employee Benefits*: The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is

Notes to the financial statements

4. Standards issued but not yet effective (continued)

no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- *IAS 34 Interim Financial Reporting*: The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have no impact on the Company.

- **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. The Company is in the process of assessing the impact of this amendment on its financial position or performance.

5. Determination of fair values

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

(i) *Property, plant and equipment*

The property, plant and equipment that was obtained at 9 December 2010 (the date of purchase of the Company's shares as part of the 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, ANTEA Cement.

5. Determination of fair values (continued)

(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 analyze 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.

6. Financial risk management (continued)

(i) Trade and other receivables (continued)

Company has established Credit Control Committee with main responsibilities to review the cash collections and to evaluate any potential new customer.

Credits limits are established for each customer, which represent the maximum open amount, upon approval from the Managing Director and the Credit Control Committee. 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 receivables.

(ii) Cash and cash equivalents

The Company held cash of EUR 2.358.838 as at 31 December 2014 (31 December 2013: EUR 13.253.869). The cash is 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 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 optimizing the return.

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.

(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.

7. EBITDA

<i>In Euro</i>	31 December 2014	31 December 2013
EBITDA	11.017.335	9.671.394

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.

8. Revenue

<i>In Euro</i>	31 December 2014	31 December 2013
Sales of goods & services	35.156.217	33.311.475
Sale of trading goods (white cement)	257.548	383.418
Revenues from other services	-	1.835.053
Freight revenue	1.070.693	1.122.531
Sale of trading goods (petcoke)	4.034.770	4.177.523
Rebates	(595.269)	(1.616.269)
	39.923.959	39.213.731

9. Cost of Sales

<i>In Euro</i>	<u>31 December 2014</u>	<u>31 December 2013</u>
Variable		
Kiln fuel	7.117.153	6.372.262
Electricity power	2.725.110	2.395.876
Purchased Clinker	-	687.579
Raw Materials	2.898.790	3.003.009
Fuel and oil	37.953	136.141
Refractory	362.533	512.804
Grinding media	64.828	45.897
Other variable costs	312.882	286.629
Total variable cost	<u>13.519.249</u>	<u>13.440.196</u>
Fixed	-	
Salaries	3.628.796	3.392.774
Maintenance spare parts	361.722	358.417
Third parties services	976.611	1.164.793
Other plan utilities	-	23.979
Insurance and taxes	156.901	96.074
Other fixed costs	653.974	536.112
Total fixed cost	<u>5.778.004</u>	<u>5.572.149</u>
Inventory (Increase) / Decrease	(1.270.971)	1.217.063
Depreciation	3.623.985	3.268.166
Packing&Distribution	4.521.894	3.578.036
Cost of Trading Goods	<u>3.546.439</u>	<u>3.584.317</u>
Cost of Goods Sold	<u>29.718.600</u>	<u>30.659.927</u>

9a. Distribution & Packing expenses

<i>In Euro</i>	<u>31 December 2014</u>	<u>31 December 2013</u>
Packing Expenses		
Bags and wrapping materials	1.070.899	857.733
Pallets	833.646	693.259
Fuel & Oil	5.344	16.210
Electricity	118.414	104.707
Consumables	20.742	20.118
Maintenance & spare parts	115.893	69.360
Salaries & related expenses	324.725	339.708
Third parties labour maintenance	3.270	56.215
Outsourced packing activities	184.614	124.324
Internal Transp third parties	-	30.466
Total packing cost	<u>2.677.547</u>	<u>2.312.100</u>
Distribution & Promotion Expenses	1.844.347	1.265.936
Total packing and distribution	<u>4.521.894</u>	<u>3.578.036</u>

10. Other operating income

<i>In Euro</i>	<u>31 December 2014</u>	<u>31 December 2013</u>
Surplus of spare parts after stock taking	357.686	-
Scrap sales	37.667	111.674
Gain on disposal of property, plant and equipment	4.353	-
	<u>399.706</u>	<u>111.674</u>

During the physical count of the spare parts which took place in October 2014, it was identified a surplus of several items at a total value of EUR 347.710 as it was evaluated by a designated committee.

11. Administrative expenses

<i>In Euro</i>	<u>31 December 2014</u>	<u>31 December 2013</u>
Salaries	515.722	521.202
Social Security	23.145	26.280
Overtime	2.886	8.591
Staff Benefits	136.701	108.802
Training	24.441	28.665
Audit Fees	21.490	30.821
Legal and other consulting services	392.117	420.967
Car Fuel Expenses	36.358	28.049
Travelling Expenses	205.679	205.874
Building Utilities (Electricity, Fuels & Water, Other Utilities)	57.213	45.710
Software Maintenance and IT Materials	40.061	52.729
Corporate Social Responsibility (CSR)	315.503	159.037
Advertising, promotion & leasing	-	4.000
Other taxes	-	65.702
Other Administrative Expenses	118.707	209.891
Depreciation	44.749	34.463
	<u>1.934.772</u>	<u>1.950.783</u>

Corporate Social Responsibility expenses in 2014 include costs for establishment of NGO named as Laboratory for Business Activities (LAB) with the aim to create small and medium enterprises in agriculture sector in the local community.

12. Selling expenses

<i>In Euro</i>	<u>31 December 2014</u>	<u>31 December 2013</u>
Salaries	148.405	144.091
Social Security	8.706	8.153
Overtime	1.076	6.704
Staff Benefits	32.161	21.517
Other Professional Fees & Related Expenses	30.580	9.458
Car Fuel Expenses	23.320	21.106
Travelling Expenses	18.055	12.005
Building Utilities (Electricity, Fuels & Water, Other Utilities)	-	12.198
Advertising, Promotion, Sponsorship, Publications and Conferences	157.533	28.445
Rentals & Leases	133.808	68.417
Other	3.056	3.067
Depreciation	19.102	13.765
	<u>575.802</u>	<u>348.926</u>

13. Other operating expenses

<i>In Euro</i>	31 December 2014	31 December 2013
Staff leaving indemnities (including VELP)	763.167	-
Write off of bad debt	1.824	-
Loss from sales of fixed assets	-	10.769
	<u>764.991</u>	<u>10.769</u>

Staff leaving indemnities (including VELP) in amount of EUR 763.167 are related to the termination benefit cost for 82 employees over 60 years old who applied for the voluntary scheme for early retirement proposed by the Company (see Note 21).

14. Finance income and finance costs

<i>In Euro</i>	31 December 2014	31 December 2013
Interest income	2.315	36.218
Realized exchanges (losses)/gains	(258)	923
Finance income	<u>2.057</u>	<u>37.141</u>
Interest expense and bank charges	(52.849)	(53.240)
Finance costs	<u>(52.849)</u>	<u>(53.240)</u>
Net finance income/(loss) recognised in profit or loss	<u>(50.792)</u>	<u>(16.099)</u>

15. Income tax expense

<i>In Euro</i>	31 December 2014	31 December 2013
Current tax expense		
Current period	798.102	599.596
Tax receivable impairment	341.704	-
	<u>1.139.806</u>	<u>599.596</u>
Deferred tax income		
Origination of temporary differences	87.800	115.952
	<u>87.800</u>	<u>115.952</u>
Total income tax expense	<u>1.227.606</u>	<u>715.548</u>

14. Income tax expense (continued)

Reconciliation of effective tax rate

<i>In Euros</i>	31 December 2014	31 December 2013
Profit before tax of the Company for the year	7,278,707	6,338,901
 Total profit before tax	<u>7,278,707</u>	<u>6,338,901</u>
 Tax at nominal tax rate 10%	727,871	633,890
<i>Tax adjustments for</i>		
Penalties	66	2,600
Incentive on purchase of new machinery	-	(13,891)
Deference in depreciation	-	28,152
 Other	<u>157,965</u>	<u>64,797</u>
Tax at effective tax rate of 12,17% (2013: 11,29%)	<u>885,901</u>	<u>715,548</u>
Tax receivable impairment	<u>341,704</u>	<u>-</u>
Tax at effective tax rate after impairment of 16,86% (2013: 11,29%)	<u>1,227,605</u>	<u>715,548</u>

Deferred Tax

Deferred tax asset and liabilities

Recognised deferred tax liabilities

	As at 1 January	Recognised in profit or loss	Recognised in equity	As at 31 December
2013				
Accelerated depreciation of property, plant and equipment for tax purposes	147.447	115.952	-	263.399
	<u>147.447</u>	<u>115.952</u>	<u>-</u>	<u>263.399</u>
 2014				
Accelerated depreciation of property, plant and equipment for tax purposes	263.399	87.800	-	351.199
	<u>263.399</u>	<u>87.800</u>	<u>-</u>	<u>351.199</u>

The Company's books and records for the fiscal years 2011, 2012, 2013 and 2014 have not been 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.

16. Property, plant, equipment & intangibles

<i>In Euro</i>	Quarries	Total B&I	Machine- ry&Equip.	Furniture, fixtures and vehicles	Intengable s	Under construction	Total
Cost							
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	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
At 1 January 2014	8,126,305	11,701,867	50,708,803	1,671,073	29,751	746,177	72,983,976
Additions	1,255,127	-	-	-	-	1,813,810	3,068,937
Transfer	-	269,132	486,945	178,313	15,284	(949,674)	-
Disposals	-	-	-	(56,256)	-	-	(56,256)
At 31 December 2014	9,381,432	11,970,999	51,195,748	1,793,130	45,035	1,610,313	75,996,657
Depreciation							
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
At 1 January 2014	829,724	8,156,771	20,440,113	1,313,136	10,341	-	30,750,085
Charge for the period	512,577	250,714	2,786,799	131,947	5,798	-	3,687,835
Disposals	-	-	-	(56,256)	-	-	(56,256)
At 31 December 2014	1,342,301	8,407,485	23,226,912	1,388,827	16,139	-	34,381,664
Carrying amount							
At 31 December 2013	7,296,581	3,545,096	30,268,690	357,937	19,410	746,177	42,233,891
At 31 December 2014	8,039,131	3,563,514	27,968,836	404,303	28,896	1,610,313	41,614,993

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 valutors, 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.

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 transfer of the parcels between sellers included therein and the Company was completed during 2014. The obligation arising from the land acquisition will be payable in installments until 2016.

16. 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 licenses.

17. Inventories

<i>In Euro</i>	31 December 2014	31 December 2013
Raw materials, consumables and spare parts	3.541.899	2.849.174
Work in progress	3.306.615	2.022.116
Finished goods	942.634	956.162
	<u>7.791.148</u>	<u>5.827.452</u>

During the physical count of the spare parts which took place in October 2014, it was identified a surplus of several items at a total value of EUR 347.710 as it was evaluated by a designated committee (see Note 10).

18. Trade and other receivables

<i>In Euro</i>	31 December 2014	31 December 2013
Trade receivables	1.807.809	1.572.186
Receivables from related parties	7.300	3.839
Other receivables	172.918	75.881
VAT receivables	103.767	194.270
	<u>2.091.794</u>	<u>1.846.176</u>

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

<i>In Euro</i>	Neither past due nor impaired	<u>Past due but not impaired</u>					Total
		0 to 30 days	30 to 60 days	60 to 90 days	90 to 120 days	120 and above	
2014	659,495	569,295	394,671	28,340	5,376	157,932	1,815,109
2013	511,261	535,423	63,364	5,877	17,291	442,809	1,576,025

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

19. Cash and cash equivalents

<i>In Euro</i>	31 December 2014	31 December 2013
Bank balances	2.358.611	13.253.338
Cash on hand	227	531
	<u>2.358.838</u>	<u>13.253.869</u>

As at 31 December 2014, the Company had available EUR 750.000 (2013: EUR 2,740,000) of undrawn committed borrowing facilities (refer to note 24 for further details).

The Company holds restricted deposits of EUR 164.998 (2013: EUR 71.845) as security against the bank guarantees issued (refer to note 24 for further details). These deposits are presented under the heading of other receivables.

20. 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 2014, the Company declared and distributed dividend in amount of EUR 16.968.174 (2013: EUR 4.638.385).

21. Employees' termination benefit

During December 2014, the Company reached an agreement with 82 employees above 60 years old, for an early leaving program which will be materialized over the next five years accordingly (see Note 13).

22. Trade and other payables

<i>In Euro</i>	31 December 2014	31 December 2013
Trade payables	1.732.565	1.045.197
Liabilities to related parties	1.648.544	1.955.256
Other	346.513	379.209
	<u>3.727.622</u>	<u>3.379.662</u>

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.

23. Provisions

<i>In Euro</i>	Site restoration
As of 31 December 2013	-
Transfer from the Branch	306.592
Provision used during the period	(88.071)
Release of provision	-
As of 31 December 2013	<u>218.521</u>
As of 1 January 2014	218.521
Provision used during the period	-
Release of provision	-
As of 31 December 2014	<u>218.521</u>

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 2014 (2013: EUR 218.521) to cover the future cost for quarry rehabilitation.

24. Commitments and contingencies

i) Bank guarantees

Bank guarantees from NLB Pristina provided for the import of raw materials in total amount of EUR 164.998 that expire on 31 December 2015.

ii) Tax claim contingency

As stated in the note 1 the reorganization 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 analyzed 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.

24. Commitments and contingencies (continued)

ii) Tax claim contingency (continued)

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 Review Board issued the decision, based on which the claim of the Company is approved and the Tax Administration (TAK) decision is ruled out and the case was returned for review. The Independent Review Board concluded that: (1) TAK has committed a legal violation by re-auditing the tax period of 2005 with no approval from the General Director of TAK, as a result, the 2005 tax period should be returned to the pre-audit situation; (2) TAK has committed a legal violation by applying provisions of legislation not in force at that time, thus, interest expenses for the year 2006, 2007 and 2008 are not recognized as deductible expenses on the accrual basis merely, due to them, not having been paid. Consequently IRB requested that TAK re-assesses the source documents of the loan and if documents are in order then interest expenses for the years 2006, 2007 and 2008 be recognized as deductible expenses and (3) requested that TAK verifies the figures presented by the Company in relation to the payment of the withholding tax of EUR 349.954 in March 2009 with the underlying legal documentation (loan agreement etc).

TAK's re-audit started as a result of the request in point 2 and was in line with points 1 and 2, but not in line with point 3 due to decision of TAK to charge withholding tax on interest for every year (2006, 2007 and 2008) even though interest was not paid in those respective years, whereas according to the Law, withholding tax for interests should be paid only when interest is paid to the lender.

On 14 November 2014, Decision of the Appeals Department of TAK was issued after the appeal filed on 8 September 2014 regarding the re-audit report which was issued by TAK on 8 August 2014. On 25 November 2014, the Company requested from TAK to waive the penalties in amount of EUR 127.887.

On 16 December 2014, the Company appealed to the Fiscal Department of Basic Court, with respect to the Decision from the Appeals Department of TAK which was issued on 14 November 2014. According to the court appeal, the Company requests reimbursement of Euro 605.648 from TAK.

The final outcome of the court case is still uncertain, however the management has been advised by its legal and tax advisors that, given the facts and recent developments, that it is reasonable to expect that the case will be closed with positive outcome for the Company and the additionally paid tax on income of EUR 605.648 will be reimbursed by the tax authorities. The Company has reassessed the income tax receivable as at 31 December 2014 by providing for impairment amount of EUR 341.704.

Consequently, the existing tax contingency of EUR 605 thousand (being amount requested for reimbursement by TAK according to the court appeal) 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 2014.

iii) Overdraft facilities

The Company has available one overdraft facility up to the amount of 750.000 EUR with Procredit Bank J.S.C. The overdraft facility with Procredit Bank J.S.C. is up to September 17, 2015 and the applicable interest rate is 9,2% per annum. As of 31 December 2015, no proceeds have been drawn from the overdraft facility.

25. Related parties

Parent and ultimate controlling party

The Company is controlled by SharrBeteiligungs GmbH, Hamburg, Germany, the parent company. The ultimate parent of the Company is Titan Cement Company S.A., Greece. 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:

25. Related parties (continued)

In Euro

	31 December 2014	31 December 2013
Sales and services provided to related parties		
<i>Ultimate Parent:</i>		
Titan Cement S.A. - re-invoiced services (accomodation and legal)	7,195	-
<i>Direct Parent:</i>		
Sharr Beitaligungs GMBH - sale of vehicle	4,010	7,336
<i>Entities under common control:</i>		
Antea Cement SHA - agency fee	-	1,771,260
Usje Cementarnica A.D. - cost of traded goods	-	7,845
Kosjeric - sale of cement	-	18,925
Cement plus - sale of cement	-	14,501
	11,205	1,819,867
Purchase of goods and services from related parties		
<i>Ultimate Parent:</i>		
Titan Cement S.A. - purchase of spare parts	26,080	63,360
<i>Direct Parent:</i>		
Sharr Beteiligungs GmbH - technical fee	76,375	23,644
<i>Entities under common control:</i>		
Usje Cementarnica A.D. - pet coke, clinker, white cement, freight, silos, materials and services	8,573,258	8,593,875
Antea Cement SHA - purchase of spare parts	98,457	3,624
Zlatna Panega - purchase of raw materials	-	33,242
Kosovo Construction Materials - use of land	4,474	26,450
Interbeton - purchase of PPE	12,380	152,550
	8,791,024	8,896,745
	31 December 2014	31 December 2013
Trade and other receivables		
<i>Ultimate Parent:</i>		
Titan Cement S.A. - re-invoiced services (accomodation and legal)	3,290	-
<i>Direct Parent:</i>		
Sharr Beitaligungs GMBH - sale of vehicle	4,010	-
<i>Entities under common control:</i>		
Usje Cementarnica A.D. - cost of traded goods	-	1,923
Cement plus - sale of cement	-	1,916
	7,300	3,839
Trade and other payables		
<i>Ultimate Parent:</i>		
Titan Cement S.A. - spare parts	13,222	70
<i>Direct Parent:</i>		
Sharr Beteiligungs GmbH - technical fee	19,446	23,644
<i>Entities under common control:</i>		
Usje Cementarnica A.D. - pet coke, clinker, white cement, freight, silos, materials and services	1,611,403	1,843,079
Kosovo Construction Materials	4,474	82,163
Interbeton - purchase of PPE	-	6,300
	1,648,544	1,955,256

26. 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:

<i>In Euro</i>	31 December 2014	31 December 2013
Trade and other receivables	2.091.794	1.846.176
Cash and cash equivalent	2.358.838	13.253.869
	<u>4.450.632</u>	<u>15.100.045</u>

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

<i>In Euro</i>	Carrying amount	
	31 December 2014	31 December 2013
Domestic	1.807.809	1.572.186
Related party	7.300	3.839
	<u>1.815.109</u>	<u>1.576.025</u>

Notes to the interim financial statements

26. 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:

<i>In Euro</i>	31 December 2014	31 December 2013
Not past due	659,495	511,261
Past due 0-30 days	569,295	535,423
Past due 31-60 days	394,671	63,364
Past due 61-90 days	28,340	5,877
Past due 91-120 days	5,376	17,291
Past due 120 and above	157,932	442,809
	<u>1,815,109</u>	<u>1,576,025</u>

(b) Liquidity risk

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

<i>In Euro</i>	<i>Carrying amount</i>	<i>Contractual cash flows</i>	<i>6 months or less</i>	<i>6-12 months</i>	<i>1-2 years</i>	<i>2-5 years</i>
31 Decemeber 2014						
Non-derivative financial liabilities						
Trade and other payables	3,727,622	(3,727,622)	(3,727,622)	-	-	-
	<u>3,727,622</u>	<u>(3,727,622)</u>	<u>(3,727,622)</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 Decemeber 2013						
Non-derivative financial liabilities						
Trade and other payables	3,379,662	(3,379,662)	(3,379,662)	-	-	-
	<u>3,379,662</u>	<u>(3,379,662)</u>	<u>(3,379,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the interim financial statements

26 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:

<i>In Euro</i>	Carrying amount 31 December 2014	Carrying amount 31 December 2013
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	<hr/>	<hr/>
	-	-
Variable rate instruments		
Financial assets	2.358.838	13.253.338
	<hr/>	<hr/>
	2.358.838	13.253.338
	<hr/>	<hr/>

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

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

27. Subsequent events

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