

CEMENTARNICA "USJE" AD SKOPJE

**FINANCIAL STATEMENTS
FOR GROUP CONSOLIDATION REPORTING PURPOSES**

For the year ended 31 December 2017



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Independent auditor's report

To the Board of Directors of Cementarnica Usje AD Skopje

Our opinion

In our opinion, the financial statements of Cementarnica Usje AD Skopje ("the Company") present fairly, in all material respects the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with Titan Group accounting policies.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Emphasis of Matter - Basis of accounting and restriction on distribution and use

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with Titan Group accounting policies which are based on the International Financial Reporting Standards as endorsed by EU for the purposes of providing information to the Board of Directors. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Directors of Cementarnica Usje AD Skopje and should not be distributed to or used by parties other than Board of Directors of Cementarnica Usje AD Skopje. Our opinion is not modified in this respect of this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Titan Group accounting policies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit is Petko Dimitrov.

Skopje, 13 February 2018

PricewaterhouseCoopers Revizija doo

PricewaterhouseCoopers Revizija Doo – Skopje

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 MKD '000	2016 MKD '000
Sales	3a	4,146,425	4,003,254
Other revenue	3b	102,314	103,164
Cost of sales	3c	(2,778,046)	(2,522,764)
Gross profit		1,470,693	1,583,654
Other operating income	3d	97,449	63,799
Other operating expenses	3e	(182,801)	(121,232)
Selling and marketing expenses	3f	(35,915)	(33,979)
Administrative expenses	3g	(163,467)	(177,851)
Operating profit		1,185,959	1,314,391
Finance income		6,791	7,070
Foreign exchange gains/ (losses) net		5,494	7,605
Finance costs		(1,240)	(2,644)
Net finance income	3h	11,045	12,031
Profit before tax		1,197,004	1,326,422
Income tax expense	4	(103,632)	(125,057)
Profit for the year		1,093,372	1,201,365
Earnings per share information:			
Basic, profit for the period attributable to ordinary equity holders	5	1.94	2.13
Net profit for the period attributable to:			
Equity holder of the ultimate parent		1,036,954	1,139,375
Non- controlling interest		56,418	61,990
		1,093,372	1,201,365
Other comprehensive income			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Investment Property revaluation surplus	7	-	35,468
Total comprehensive income for the year		1,093,372	1,236,833
Earnings per share information:			
Basic, total comprehensive income for the period attributable to ordinary equity holders	5	1.94	2.19
Total Comprehensive income for the period attributable to:			
Equity holder of the ultimate parent		1,036,954	1,173,012
Non - controlling interest		56,418	63,821
		1,093,372	1,236,833

The notes set out on pages 9 to 47 are an integral part of these condensed financial statements

STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	2017 MKD'000	2016 MKD'000
ASSETS			
Non-current assets			
Property, plant and equipment ("PPE")	6	2,289,939	2,179,433
Investment properties	7	168,498	166,349
Investment in subsidiary		157	157
Exploration and evaluation assets	8	4,183	19,352
		2,462,777	2,365,291
Current assets			
Inventories	9	672,241	665,543
Trade and other receivables	10	502,674	369,677
Short term loan		-	10
Income tax recoverable		25,060	8,934
Cash and short term deposits	11	829,324	863,995
		2,029,299	1,908,159
TOTAL ASSETS		4,492,076	4,273,450
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	1,747,730	1,747,730
Additional paid in capital		(14,869)	(14,869)
Retained earnings		1,168,963	1,276,956
Revaluation reserves		207,829	207,829
Revaluation reserves - investment property	7	94,825	94,825
Legal reserves		174,771	174,771
Tax exempt reserves		568,607	308,761
		3,947,856	3,796,003
Non-current liabilities			
Provision for retirement benefits	13	54,111	54,198
Provision for rehabilitation of quarries		10,612	12,693
		64,723	66,891
Current liabilities			
Trade and other payables	14	452,869	384,704
Provision for unused holidays		10,321	9,865
Current portion of retirement benefit obligations	13	5,298	4,830
Income tax payable		10,755	10,916
Dividend payable		254	241
		479,497	410,556
TOTAL EQUITY AND LIABILITIES		4,492,076	4,273,450

Authorized on behalf of the Board of Directors

Hrisafov Boris

Chief Executive Director



Nikos Mousouras

Finance Manager

The notes set out on pages 9 to 47 are an integral part of these condensed financial statements

STATEMENT OF CASH FLOWS
For the year ended 31 December 2017

	<i>Notes</i>	2017 <i>MKD '000</i>	2016 <i>MKD '000</i>
Cash flows from operating activities			
Profit before income taxes		1,197,004	1,326,422
<i>Adjustments for:</i>			
(Gain)/Losses, net on disposal of property, plant and equipment		-	(1,149)
Depreciation of PPE and investment properties		162,586	173,993
Actuarial (gain)/losses, net		5,613	1,430
Interest income		(6,791)	(7,070)
Provision for obsolete inventory		9,991	9,998
Provision for unused holidays (net)		456	9,865
Fair value (gain)/losses, net		(2,150)	(6,275)
Reversal of accrued income for compensation vehicles at a standstill		(14,757)	-
Interest expense and bank charges		1,240	2,642
Write off trade receivables		608	-
NBV of disposed and written off PPE		-	39
Operating profit before working capital changes		1,353,800	1,509,895
(Increase) / Decrease in trade and other receivables		(118,240)	48,959
(Increase) / Decrease in inventories		(16,691)	(59,852)
(Decrease) Increase in trade and other payables		65,311	(38,210)
Cash generated from operations		1,284,180	1,460,792
Interest expense and bank charges paid		(1,240)	(2,644)
Income tax paid		(104,583)	(114,140)
Net cash flows generated from operations		1,178,357	1,344,008
Cash flows from investing activities			
Purchase of property, plant and equipment		(263,154)	(179,289)
Expenditures for exploration and evaluation assets		(15,169)	-
Proceeds from sale of property, plant and equipment		-	1,034
Interest income received		6,791	7,070
Loan to associate		10	-
Net cash flows (used in) generated investing activities		(271,522)	(171,185)
Cash flows from financing activities			
Dividends paid to group shareholders		(892,894)	(1,050,086)
Dividends paid to minority shareholders		(48,612)	(57,176)
Net cash flows (used) in financing activities		(941,506)	(1,107,262)
Net increase/ (decrease) in cash and cash equivalents		(34,671)	65,561
Cash and cash equivalents at 1 January		863,995	798,435
Cash and cash equivalents at 31 December	11	829,324	863,995

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	<i>Share capital</i>	<i>Additional paid in capital</i>	<i>Retained earnings</i>	<i>Legal reserves</i>	<i>Tax exempt reserves under special laws</i>	<i>Revaluation reserves</i>	<i>Total</i>
	<i>MKD'000</i>	<i>MKD'000</i>	<i>MKD'000</i>	<i>MKD'000</i>	<i>MKD'000</i>	<i>MKD'000</i>	<i>MKD'000</i>
At 1 January 2017	1,747,730	(14,869)	1,276,956	174,771	308,761	302,654	3,796,003
Profit for the year	-	-	1,093,372	-	-	-	1,093,372
Other Comprehensive Income (See note 6)	-	-	-	-	-	-	-
Total Comprehensive income	-	-	1,093,372	-	-	-	1,093,372
Dividends, net	-	-	(941,519)	-	-	-	(941,519)
Transfer to retained earnings	-	-	32,232	-	(32,232)	-	-
Reinvested profit	-	-	(292,078)	-	292,078	-	-
At 31 December 2017	1,747,730	(14,869)	1,168,963	174,771	568,607	302,654	3,947,856

On 29 June 2017, the General Assemble brought a Decision for distribution of dividend for the year ended 2016 in accordance with the Company Law. The dividend declared was in amount of MKD 941,519 thousand which consists of MKD 909,287 thousand profit from 2016 and MKD 32,232 thousand unused reinvested profit from 2015. The remaining profit from 2016 in amount of 292,078 thousand was reinvested in order to benefit from the new tax incentives available for such activities.

For the year ended 31 December 2016

	<i>Share capital</i>	<i>Additional paid in capital</i>	<i>Retained earnings</i>	<i>Legal reserves</i>	<i>Tax exempt reserves under special laws</i>	<i>Revaluation reserves</i>	<i>Total</i>
	<i>MKD'000</i>	<i>MKD'000</i>	<i>MKD'000</i>	<i>MKD'000</i>	<i>MKD'000</i>	<i>MKD'000</i>	<i>MKD'000</i>
At 1 January 2016	1,747,730	(14,869)	1,339,130	174,771	152,494	267,186	3,666,442
Profit for the year	-	-	1,201,365	-	-	-	1,201,365
Other Comprehensive Income (See note 6)	-	-	-	-	-	35,468	35,468
Total Comprehensive income	-	-	1,201,365	-	-	35,468	1,236,833
Dividends, net	-	-	(1,107,272)	-	-	-	(1,107,272)
Transfer to retained earnings	-	-	16,327	-	(16,327)	-	-
Reinvested profit	-	-	(172,594)	-	172,594	-	-
At 31 December 2016	1,747,730	(14,869)	1,276,956	174,771	308,761	302,654	3,796,003

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 2017 was 275 (31 December 2016: 284).

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 as of 31 December 2017 has one foreign subsidiary, TROJAN CEM EOOD, Bulgaria with 100% holding. Furthermore, on 28 July 2015, the Company has opened a new warehouse in the village of Orovnik (near Ohrid) for strategic presence of its products in the South Western part of the country. For the same purpose, dated on 03 August 2017 the Company has opened a new warehouse in Bitola and on 16 August 2017 new warehouse in Strumica was also opened.

The Company does not prepare consolidated financial statements as the consolidation will be followed by the Titan Group. This subsidiary is accounted for in these financial statements at cost less any impairment in value.

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

New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12, and
- Disclosure initiative - amendments to IAS 7.

The company also elected to adopt the following amendments early:

- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2
- Annual Improvements to IFRS Standards 2014-2016 Cycle, and
- Transfers of Investment Property - Amendments to IAS 40.

The adoption of these amendments did not have any impact on the amounts recognised in prior periods. Most of the amendments will also not affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the company. The company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial Instruments- IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The company has reviewed its financial assets and liabilities and is not expecting any impact from the adoption of the new standard on 1 January 2018.

Even though the new standard introduces expanded disclosure requirements and changes in presentation, these are not expected to change the nature and extent of the company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 15 Revenue from Contracts with Customers - The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the effects of applying the new standard on the company's financial statements and has not identified any areas which will be affected.

IFRS 16 Leases - IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the company's operating leases.

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the company does not intend to adopt the standard before its effective date. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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

b. 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.

c. Operating segments

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Management and for which discrete financial information is available. The Management is the person or group of persons who allocates resources and assesses the performance for the entity.

In the Company, the above described functions of the Management are performed by Board of the Directors of the the Company. The internal reporting within the Company presented to the Board of Directors is on a Company level and as one operating segment. The decisions brought by the Board of Directors are based on received reports presented as one operating segment.

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.

The exchange rates used for translation at 31st December 2017 and 31st December 2016 were as follows:

Exchange rate:	31st December 2017 MKD	31st December 2016 MKD
EUR	61,49	61,48
USD	51,27	58,33

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

g. Property, plant and equipment

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.

h. 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 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.

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

h. Investment property (continued)

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.

i. 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.

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

j. 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.

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.

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

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

(i) Financial assets (continued)

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 follows thought 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 maternity during the period ended 31 December 2017 and the year ended 31 December 2016.

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 2017 and the year ended 31 December 2016.

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.

2. **Basis of preparation and summary of significant accounting policies (continued)**
- k. **Financial instruments - initial recognition and subsequent measurement (continued)**

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

Impairment of financial assets

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

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.

2. **Basis of preparation and summary of significant accounting policies (continued)**
- k. **Financial instruments - initial recognition and subsequent measurement (continued)**

(ii) Financial liabilities (continued)

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.

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.

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

k. 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.

l. 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.

m. Share capital

Ordinary shares are classified as equity.

l. Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, 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.

Current income tax

In 2014 a new tax regime had become effective according to which the base for income tax computation had been shifted from income "distribution" concept to the profit before taxes. The new CIT Law has been adopted and entered into force on 2 August 2014. It is applicable as of 1 January 2015 for the 2014 profit.

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

Deferred income tax

Starting from 1 January 2014 (as per the new CIT Law enacted on 2 August 2014), deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

1. Taxation (continued)

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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.

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

m. Employee benefits (continued)

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.

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.

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

n. Provisions (continued)

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

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

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.

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.

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

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.

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.

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

s. Financial risk management (continued)

Pension benefits

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

The 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

Cash and cash equivalents, trade receivables and other current financial assets mainly have short term maturity. 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. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

3. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most critical estimates and assumptions are discussed below.

3. Critical accounting estimates and judgments (continued)

a. Critical accounting estimates and assumptions (continued)

(i) Useful lives of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic or industry factors. The appropriateness of the estimated useful lives is reviewed annually, or whenever there is an indication of significant changes in the underlying assumptions.

Further, due to the significant weight of depreciable assets in Company's total assets, the impact of any changes in these assumptions could be material to Company's financial position, and results of operations. If depreciation cost is decreased/increased by 5%, this would result in change of annual depreciation expense of approximately MKD 8,100 thousand (2016: MKD 8,700 thousand).

(ii) Potential impairment of property, plant and equipment and intangibles

The Company is assessing the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment in value is anticipated. The recoverable amounts are determined by value in use calculations, which use a broad range of estimates and factors affecting those.

Among others, the Company typically considers future revenues and expenses, macroeconomic indicators, technological obsolescence, discontinuance of operations and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, the Company also determines the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged (if any). As this exercise is highly judgmental, the amount of potential impairment may be significantly different from that of the result of these calculations.

(iii) Impairment of trade and other receivables

The Company calculates impairment for doubtful accounts based on estimated losses resulting from the inability of its customers to make required payments as explained in section for financial assets.

(iv) Provisions

Provisions in general are highly judgmental, especially in the cases of legal disputes. The Company assesses the probability of an adverse event as a result of a past event to happen and if the probability is evaluated to be more than fifty percent, the Company fully provides for the total amount of the liability. The Company is rather prudent in these assessments, but due to the high level of uncertainty, in some cases the evaluation may not prove to be in line with the eventual outcome of the case.

3. Revenue and expenses

a) Sales

	2017 MKD '000	2016 MKD '000
<i>Gross sales</i>		
Domestic market	2,741,052	2,997,117
Foreign market	1,405,373	1,006,137
	<u>4,146,425</u>	<u>4,003,254</u>
<i>Domestic market</i>		
Income from cement	2,586,245	2,678,189
Income from white cement	74,813	81,697
Income from RMC	68,157	121,047
Pet coke and coal	29,534	141,522
Income from limestone	18,029	19,432
Sand	-	24
Discount	(35,726)	(44,794)
	<u>2,741,052</u>	<u>2,997,117</u>
<i>Foreign market</i>		
Income from cement	854,449	630,190
Pet coke - export	374,599	294,661
Income from clinker	203,391	84,680
Income from white cement	27,787	44,609
Income from sand	-	45
Discount	(54,853)	(48,048)
	<u>1,405,373</u>	<u>1,006,137</u>

b) Other revenues

	2017 MKD '000	2016 MKD '000
Transport of cement - intercompany	40,758	33,602
Third part freight	39,854	53,658
Freight of clinker - intercompany	18,135	9,669
Services	3,494	5,523
Additives	73	712
	<u>102,314</u>	<u>103,164</u>

3. Revenue and expenses (continued)

c) Cost of sales

	<i>2017</i>	<i>2016</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Distribution expenses	109,893	104,204
<i>Variable costs</i>		
Kiln fuel	612,617	529,581
Electricity	320,638	267,704
Raw materials	147,308	142,561
Admixtures - additives	57,153	74,152
Refractory	47,843	43,701
Grinding media	4,177	2,670
Fuel & oil	1,024	863
Other variable cost	152,134	148,148
Total Variable costs	1,342,894	1,209,380
<i>Fixed costs</i>		
Salaries & other benefits	219,944	226,962
Third parties fees - contract labour	67,344	73,675
Maintenance & spare parts	56,188	58,949
Other plant utilities	18,189	22,237
Insurance premium	4,606	4,185
Travelling & Entertainment	3,018	2,594
IT & Telecoms	2,864	2,061
Car related expenses	2,292	2,613
Other fixed costs (quality, dispatch, etc.)	50,212	52,687
Total Fixed costs	424,657	445,963
Cost of traded goods	504,840	454,080
Depreciation	155,508	166,673
Packing expenses	178,509	162,788
Inventory change	61,745	(20,323)
	2,778,046	2,522,765

Other variable cost consist of cost of loading and transport of marl to crusher, cost of loading and transport of limestone to crusher, cost of drilling and blasting, concession fee, internal handling of materials, cost for loading of sand, internal transport of cement and other variable cost.

Other fixed costs consist of cost of security services, cost of arranging of green landscape in the plant, cost of attest and other examination, cost for quality test, outsource cleaning of streets, cost of laboratory materials, cost of HTZ and other variable cost such as cost for calibration, intellectual services, cleaning materials etc.

3. Revenue and expenses (continued)

d) Other operating income

	<i>2017</i>	<i>2016</i>
	<i>MKD '000</i>	<i>MKD '000</i>
Revenues from sold materials	43,916	3,345
Rent income	16,712	13,659
Actuarial gains and reversal of unused provision	7,724	6,563
Surpluses	7,011	19,037
Income from sold pallets in transit	7,445	5,571
Fair value gain	6,638	6,585
Re-invoiced cost for business premises	3,818	3,328
Scrap	1,345	1,884
Write off - trade creditors	496	384
Income from other services	28	25
Gain from disposed fixed assets	-	1,149
Others	2,316	2,269
	<u>97,449</u>	<u>63,799</u>

Income from sold materials in amount of MKD 43,916 thousand relates to sold high-burnt bricks, grinding balls as well as fire resistant concrete to Sharrcem Kosovo. The costs are recognised in other operating expenses (see Note 3 e)

Rent income in amount of MKD 16,712 thousand consist of rented business premises space in amount of MKD 10,692 thousand, land in amount of MKD 2,220 thousand and silo trucks MKD 1,266 thousand, all to third parties and then land in amount of MKD 2,534 thousand as intercompany.

The actuarial gains and reversal of unused provision for employee's benefits in amount of MKD 7,724 thousand relates to changes in actuarial assumptions calculated annually by independent actuaries using the projected unit credit method (See Note 13).

Surplus of products in amount of MKD 7,011 thousand relates to semi-finished and finished goods as well as surplus of poozolana, fly-ash, gypsum and coal recognised during inventory count as of 31 December 2017.

Fair value gain in amount of MKD 6,638 thousand relates to fair value re-measurement of the Investment property (See Note 7) as of 31 December 2017 recognised in the Company's profit and loss.

3. Revenue and expenses (continued)

e) Other operating expenses

	<i>2017</i>	<i>2016</i>
	<i>MKD'000</i>	<i>MKD'000</i>
Agency fee	62,718	45,627
Cost of sold materials	42,196	3,146
Reversal of accrued income for compensation vehicles at a standstill	14,757	-
Compensation for vehicles at a standstill	5	503
Restructuring costs	13,628	25,449
Actuarial losses and provision	13,338	7,993
Provision for obsolete inventory	9,991	9,998
Net book value of sold pallets in transit	7,445	5,571
Fair value losses	4,488	310
Other non-mentioned losses	4,117	3,658
Business premises costs	4,007	3,465
Promotion and advertisement	3,074	2,967
Waste, spoilage and obsolescence of goods in warehouse	1,117	596
Write off receivables	608	-
Provision for unused vacation days, net	456	9,865
Withholding tax	97	75
Penalties for non-fulfilment of obligations	-	221
Net book value of disposed fixed assets	-	39
Other	759	1,749
	<u>182,801</u>	<u>121,232</u>

Agency fee of MKD 62,718 thousand represents fee for Cement Plus - agent in middlemen for selling the products on Kosovo Market.

Cost of sold materials in amount of MKD 42,196 thousand relates to sold high-burnt bricks, grinding balls as well as fire resistant concrete to Sharrcem Kosovo. The revenues are recognised in other operating income (see Note 3 d).

Reversal of accrued income for compensation vehicles at a standstill in amount of MKD 14,757 thousand refers to provisional income expected to be refunded by a Kosovo Customs related to compensation paid to transporters for vehicles at a standstill in 2012.

Restructuring costs in amount of MKD 13,628 thousand relates to employees who applied for the voluntary leaved scheme.

The amount of MKD 13,338 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 13).

Provision for obsolete inventory of MKD 9,991 thousand is made based on regular annual inventory count and refers to write-off of aged and unused mechanical and electrical spare parts.

3. Revenue and expenses (continued)

f) Selling and marketing expenses

	<i>2017</i> <i>MKD '000</i>	<i>2016</i> <i>MKD '000</i>
Salaries and related expenses	15,164	16,350
Promotion and advertisement	5,004	3,170
Car expenses	2,228	2,140
Depreciation	1,976	2,228
Accommodation	1,400	1,856
IT & Telecoms	1,358	1,005
Travel expenses	279	271
Other expenses	8,506	6,959
	<u>35,915</u>	<u>33,979</u>

g) Administrative expenses

	<i>2017</i> <i>MKD '000</i>	<i>2016</i> <i>MKD '000</i>
Third Party fees	88,429	100,426
Salaries and related expenses	36,704	34,753
Promotion and advertisement	11,853	13,315
Depreciation	5,102	5,092
Accommodation	3,605	4,059
IT & Telecoms	3,110	3,839
Travel expenses	2,847	4,926
Car expenses	2,335	2,643
Other expenses	9,482	8,798
	<u>163,467</u>	<u>177,851</u>

h) Net finance income

	<i>2017</i> <i>MKD '000</i>	<i>2016</i> <i>MKD '000</i>
Interest income	6,791	7,070
Bank charges	(1,085)	(2,554)
Interest expense	(155)	(90)
Net foreign exchange gain/ (losses)	5,494	7,605
	<u>11,045</u>	<u>12,031</u>

4. Income tax

The income tax comprises:

	<i>2017</i> <i>MKD'000</i>	<i>2016</i> <i>MKD'000</i>
Current Income tax	<u>103,632</u>	<u>125,057</u>
	<u>103,632</u>	<u>125,057</u>

As of 31 December 2016, the current income tax is as follows:

	<i>2016</i> <i>MKD'000</i>
Net profit before income tax	<u>1,326,422</u>
At statutory income tax rate of 10%	132,642
<i>Tax on non-deductible expenses:</i>	<i>6,451</i>
Other compensations to the employees	2,773
Expenses not related to the main activities	858
Entertainment	750
Penalties and Withholding tax	45
Sponsorship and donations	611
Scholarship	410
Other	1,004
<i>Less</i>	
Reinvested profit	<u>(14,036)</u>
	<u>125,057</u>

As of 31 December 2017, the current income tax is as follows:

	<i>2017</i> <i>MKD'000</i>
Net profit before income tax	<u>1,197,004</u>
At statutory income tax rate of 10%	119,700
<i>Tax on non-deductible expenses:</i>	<i>6,571</i>
Other compensations to the employees	2,510
Expenses not related to the main activities	169
Entertainment	746
Penalties and Withholding tax	18
Sponsorship and donations	226
Scholarship	318
Other	2,584
<i>Less</i>	
Reinvested profit	<u>(21,689)</u>
Donations for sport activities	<u>(950)</u>
	<u>103,632</u>

5. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders by the weighted average of ordinary shares outstanding during the year.

The following reflects the outcome and share data used in the basic EPS computations

	<i>31 December 2017</i>	<i>31 December 2016</i>
Profit attributable to ordinary equity holders:		
Continuing operations	1,093,372	1,201,365
Profit attributable to ordinary equity holders	1,093,372	1,201,365
Total comprehensive income attributable to ordinary equity holders:		
Continuing operations	1,093,372	1,236,833
Total comprehensive income attributable to ordinary equity holders	1,093,372	1,236,833
Weighted average number of ordinary shares for basic EPS	563,784	563,784

6. 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 2017	3,344,009	4,411,638	236,105	7,991,752
Additions	38,187	-	215,461	253,648
Transfers from CIP	37,393	127,178	(164,571)	-
Transfer to EEA	(5,742)	-	-	(5,742)
Transfer from EEA	15,679	-	-	15,679
Investment in property held by other	9,506	-	-	9,506
Transfer to IP	-	-	-	-
Disposals and write offs	-	-	-	-
At 31 December 2017	3,439,032	4,538,816	286,995	8,264,843
Depreciation				
At 1 January 2017	2,144,914	3,667,405	-	5,812,319
Charge for the period	26,647	135,938	-	162,585
Transfer to IP	-	-	-	-
Disposals and write offs	-	-	-	-
At 31 December 2017	2,171,561	3,803,343	-	5,974,904
Net book value				
at 31 December 2017	1,267,471	735,473	286,995	2,289,939
Net book value				
at 1 January 2017	1,199,095	744,233	236,105	2,179,433

6. Property, plant and equipment (continued)

	<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 2016	3,306,735	4,374,207	144,643	7,825,585
Additions	23,651	-	155,638	179,289
Transfers from CIP	16,754	47,422	(64,176)	-
Transfer to IP	(3,055)	-	-	(3,055)
Disposals and write offs	(76)	(9,991)	-	(10,067)
At 31 December 2016	<u>3,344,009</u>	<u>4,411,638</u>	<u>236,105</u>	<u>7,991,752</u>
Depreciation				
At 1 January 2016	2,122,138	3,528,510	-	5,650,648
Charge for the period	25,145	148,848	-	173,993
Transfer to IP	(2,369)	-	-	(2,369)
Disposals and write offs	-	(9,953)	-	(9,953)
At 31 December 2016	<u>2,144,914</u>	<u>3,667,405</u>	<u>-</u>	<u>5,812,319</u>
Net book value at 31 December 2016	<u>1,199,095</u>	<u>744,233</u>	<u>236,105</u>	<u>2,179,433</u>
Net book value at 1 January 2016	<u>1,184,597</u>	<u>845,697</u>	<u>144,643</u>	<u>2,174,937</u>

7. Investment property

	<i>2017 MKD'000</i>	<i>2016 MKD'000</i>
Opening balance at 1 January	166,348	123,919
Transfer from PPE (Note 6)	-	686
Gain/(losses), net from fair value adjustment	2,150	6,275
Revaluation reserves from fair value re-measurement	-	35,468
Closing balance at period/year end	<u>168,498</u>	<u>166,348</u>

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 annual valuation performed by independent value using the income method and the market comparison method as primary valuation methods which are generally accepted in European valuation practice.

7. Investment property (continued)

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.

	2017 MKD '000	2016 MKD '000
Rental income derived from investment properties	15,446	11,769
Profit arising from investment properties carried at fair value	15,446	11,769

As of 31 December 2017 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 methodology used and key inputs to the valuation of the investment properties are as follows:

	Methodology	Inputs	Ranges
Buildings plot	Income method	Vacancy rate	5%
		Landlord costs Capitalization rate	5% 10,61%
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	50 to 80euro/m ²

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 2017 the carrying value of the Company's investment property is adjusted / increased for the amount of MKD 2,150 thousand. The fair value gain in amount of MKD 6,638 thousand and fair value losses in amount of MKD 4,488 thousand, or net, in the amount of MKD 2,150 thousand has been recognized in the Company's profit and loss for the year ended 31 December 2017 (See Notes 3d and 3e).

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).

There were no transfers between Levels 1, 2 and 3 during 2017 and there were no valuation as of 31 December 2017 considering that there are no significant changes in the circumstances and the main assumptions used in the last valuation.

7. Exploration and evaluation assets

	<i>Exploration and evaluation of mineral recourses MKD '000</i>	<i>Total MKD '000</i>
Cost		
At 1 January 2017	41,393	41,393
Additions	509	509
Transfer from PPE	5,742	5,742
Transfer to PPE	(5,742)	(5,742)
Transfer to PPE	(24,106)	(24,106)
At 31 December 2017	17,796	17,796
Depreciation		
At 1 January 2017	22,041	22,041
Transfer to PPE	(8,428)	(8,428)
Charge for the period	-	-
At 31 December 2017	13,613	13,613
Net book value at 31 December 2017	4,183	4,183
Net book value at 1 January 2017	19,352	19,352
	<i>Exploration and evaluation of mineral recourses MKD '000</i>	<i>Total MKD '000</i>
Cost		
At 1 January 2016	41,393	41,393
Additions	-	-
Transfer to PPE	-	-
At 31 December 2016	41,393	41,393
Depreciation		
At 1 January 2016	22,041	22,041
Charge for the period	-	-
At 31 December 2016	22,041	22,041
Net book value at 31 December 2016	19,352	19,352
Net book value at 1 January 2016	19,352	19,352

9. Inventories

	<i>2017</i> <i>MKD '000</i>	<i>2016</i> <i>MKD '000</i>
Spare parts	267,970	254,297
Raw materials and fuel	188,981	132,601
Consumable stores	131,111	139,211
Semi-finished goods	50,470	82,675
Finished goods	18,571	46,314
Packing materials	14,943	9,119
Goods for resale	155	228
Prepayments for inventory purchase	40	1,098
	<u>672,241</u>	<u>665,543</u>

10. Trade and other receivables

	<i>2017</i> <i>MKD '000</i>	<i>2016</i> <i>MKD '000</i>
Trade debtors	434,571	318,261
Other current assets	49,158	32,785
Prepayments	18,945	18,631
	<u>502,674</u>	<u>369,677</u>

Other current assets relates to receivables from rented land and PPE, receivables from re-invoiced costs for rented premises, then accruals for receivables from vehicle at a standstill, accruals for insurance premium, accruals for receivables for interest on forex bank deposit, receivables on disposal of tangible and intangible assets and other accruals and receivables.

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

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
2017	434,571	186,814	126,333	92,817	15,859	5,321	7,427
2016	318,261	190,924	77,261	18,100	12,600	3,369	16,007

11. Cash and cash receivables

	<i>2017</i> <i>MKD '000</i>	<i>2016</i> <i>MKD '000</i>
Bank deposits	759,382	839,320
Cash at bank	69,938	24,658
Cash at hand	4	17
	<u>829,324</u>	<u>863,995</u>

Bank deposits are time deposits in different banks in the country with maturity less than 3 months.

12. 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 2017 and 31 December 2016	<u>1,732,861</u>

Dividends paid and proposed

MKD '000

<i>Declared and paid during the period ended 31 December 2016</i>	
Final dividend for 2015: MKD 1,964,00 per share	
Declared:	1,107,272
Paid:	<u>1,107,049</u>
<i>Declared and paid during the period ended 31 December 2017</i>	
Final dividend for 2016: MKD 1,670,00 per share	
Declared:	941,519
Paid:	<u>941,506</u>

Dividends declared and paid for the year ended 31 December 2016 and year ended 31 December 2017 entirely relate to cash dividends on ordinary shares.

13. Provision for retirement benefits

	2017 MKD '000	2016 MKD '000
Defined retirement benefit obligations	17,731	17,976
Defined jubilee anniversary award obligations	17,994	17,494
Defined scholarship obligations	19,446	20,394
Defined retirement benefit provision - other	4,238	3,164
	<u>59,409</u>	<u>59,028</u>
<i>Analyzed as:</i>		
Non-current portion	54,111	54,198
Current portion	5,298	4,830
	<u>59,409</u>	<u>59,028</u>

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

	2017 MKD '000	2016 MKD '000
At 1 January	59,028	64,004
Current service costs	8,143	4,052
Interest cost	1,902	2,297
Recognised actuarial (gains)/losses, net	(1,395)	1,138
	<u>67,678</u>	<u>71,491</u>
Benefits paid during the year	(5,232)	(6,406)
(Gains)/losses,- net, from reconciling the actuarial calculation	403	(450)
Unused provision reversed	(3,440)	(5,607)
At 31 December	<u>59,409</u>	<u>59,028</u>

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

	2017 MKD '000	2016 MKD '000
Current service costs	8,143	4,052
Interest cost	1,902	2,297
Recognised actuarial (gains)/losses, net	(1,395)	1,138
(Gains)/losses, net, from reconciling the actuarial calculation	403	(450)
Unused provision reversed	(3,440)	(5,607)
	<u>5,613</u>	<u>1,430</u>

13. Provision for retirement benefits (continued)

A quantitative sensitivity analysis for change in the discount rate and wage growth as at 31 December 2017 and 2016 is as shown below:

2017

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	(7,18)	7,06	7,64	(7,99)
<i>Jubilee awards</i>				
Impact on the net defined benefit obligations	(4,51)	4,65	4,12	(4,02)

2016

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	(6,83)	7,72	7,79	(7,01)
<i>Jubilee awards</i>				
Impact on the net defined benefit obligations	(4,85)	5,43	5,50	(5,00)

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

	2017 MKD'000	2016 MKD'000
Year 1	5,298	4,829
Year 2	7,966	8,214
Year 3	6,382	8,585
Year 4	6,301	6,498
Year 5	6,240	4,963
Years 6-10	26,903	23,989
Over 10 years	84,900	85,286

13. Provision for retirement benefits (continued)

The principal actuarial assumptions used in 2017 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 2014-2016;
- 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 company 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 adequate assumptions for enrolling at university in the following years. The assumption is based on the provided data related to studies for year 2016-2017.
- 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: 2,00%;

Discount rate: 4,00%

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

14. Trade and other payables

	2017 MKD '000	2016 MKD '000
Trade creditors	349,329	311,344
Tangible assets creditors	49,771	32,984
Customer prepayments	28,211	18,653
Other current liabilities	25,558	21,723
	<u>452,869</u>	<u>384,704</u>

Other current liabilities relate to liability for net payroll, payroll taxes and social securities, liabilities to employees from salaries, accrual for calculated obligation for concession fee and other sundry creditors.

15. Contingences and Commitments

Contingent liabilities

	2017 MKD '000	2016 MKD '000
Bank guarantees	26,804	66,516
Performance guarantees	-	307
Bill of exchange	-	4,600
	<u>26,804</u>	<u>71,423</u>

As of 31 December 2017, the Company has obtained a Bank payment guaranties from:

- Halk Banka in favour of MEPSO AD Macedonia of MKD 2,804 thousand for transmission of electricity valid till 10 January 2018, in favour of Makpetrol Prom Gas of MKD 5,000 thousand related to the purchase of natural gas valid till 10 January 2018;
- Ohridska Banka in favour of Customs of MKD 15,000 valid till 1 November 2018 and in favour of OKTA AD Skopje for crude oil in amount of MKD 4,000 thousand valid until 31 December 2017.

Lease commitments - company as lessee

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

	2017 MKD '000	2016 MKD '000
Up to 1 year	4,316	4,552
Later than 1 year and not later than 5 year	6,916	9,438
	<u>11,232</u>	<u>13,990</u>

The Company leased Horizontal Mill from MILLKO under lease agreement.

	2017 MKD '000	2016 MKD '000
Up to 1 year	16,110	16,108
Later than 1 year and not later than 5 year	32,221	48,324
	<u>48,331</u>	<u>64,432</u>

Purchase commitments

As at 31 December 2017, the Company has entered into contracts for the purchase of electricity amounting to MKD 62,656 thousand for the first three months of 2018.

Legal proceedings

From time to time and in the normal course of the business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice, the management of the Company is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

16. Related party transactions

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

The following transactions were carried out with the related parties:

a) Sales of goods and services

	2017 MKD'000	2016 MKD'000
<i>Subsidiary:</i>		
Trojan Cem EOOD Sofija - cement	3,601	2,964
Trojan Cem EOOD Sofija - freight	2,804	2,338
<i>Entities under common control:</i>		
Cement Plus Ltd - cement, sand and white cement	276,620	228,093
Cement Plus Ltd - freight revenue	37,954	31,264
SHARRCEM SH.P.K-pet coke	374,599	288,453
SHARRCEM SH.P.K-clinker	200,716	84,680
SHARRCEM SH.P.K-white cement	2,780	6,156
SHARRCEM SH.P.K- freight revenue	16,666	9,669
SHARRCEM SH.P.K- refractory	4,491	-
SHARRCEM SH.P.K- materials and services	39,172	3,219
SHARRCEM SH.P.K- cement	-	-
Antea Cement SHA - clinker	2,674	-
Antea Cement SHA - clinker	1,469	-
MILLKO - PCM Dooel Skopje - rent	2,534	2,534
	966,080	659,370
Other transactions		
	2017 MKD'000	2016 MKD'000
SHARRCEM SH,P,K - short term loan principal	246,376	-
SHARRCEM SH,P,K - interest	5,749	-
	252,125	-

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

Receivables from related parties

	2017 MKD'000	2016 MKD'000
<i>Subsidiary:</i>		
Trojan Cem EOOD SOFIJA - grey cement	779	4,750
<i>Entities under common control:</i>		
Cement Plus Ltd - cement, sand and white cement	-	15,609
SHARRCEM SH.P.K-pet coke	133,541	90,135
SHARRCEM SH.P.K-white cement	280	892
SHARRCEM SH.P.K-clinker	89,294	11,054
SHARRCEM SH.P.K-other	23,169	2,093
MILLKO - PCM Dooel Skopje - rent	249	-
MILLKO - PCM Dooel Skopje - short term loan	-	10
	247,312	124,543

16. Related party transactions (continued)

b) Purchases of goods and services

	2017 MKD '000	2016 MKD '000
<i>Ultimate Parent:</i>		
Titan Cement Company - white cement and pet coke	384,718	405,219
Titan Cement Company - management fee	82,803	97,510
Titan Cement Company-silos	-	2,250
<i>Entities under common control:</i>		
Cement Plus Ltd - agency fee	62,718	45,627
SHARRCEM SH,P,K - cost of traded goods	67	66
SHARRCEM SH,P,K-other	173	-
MILLKO - PCM Dooel Skopje - services	16,132	16,132
Titan Zlatna Panega - clinker	19,736	-
Titan Zlatna Panega - other	138	-
Titan Zlatna Panega - cost of traded goods	16,966	3,126
	<u>583,451</u>	<u>569,930</u>

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

Payables to related parties

	2017 MKD '000	2016 MKD '000
<i>Ultimate Parent:</i>		
Titan Cement Company - management fee	21,196	34,926
Titan Cement Company – CAPEX	20,337	-
Titan Cement Company - WC, pet coke and services	9,257	9,515
Titan Cement Company-silos	-	2,250
<i>Entities under common control:</i>		
Cement Plus Ltd. - prepayments	5,106	-
Cement Plus Ltd. - agency fee	3,616	12,145
SHARR CEM SH.P.K-other	173	66
MILLKO - PCM Dooel Skopje - services	7,340	6,459
Titan Zlatna Panega - grey cement	503	-
	<u>67,528</u>	<u>65,361</u>

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

Key management compensation

	2017 MKD '000	2016 MKD '000
Salaries and other short-term benefits	83,400	93,039
	<u>83,400</u>	<u>93,039</u>

17. 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 interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks which are summarised below.

(i) Market risk

Market risk is defined as the 'risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate risk, currency risk and other price risk. The majority of the revenues of the Company are generated on domestic market and the remaining part mainly generated on foreign market.

Expenses of the Company that arise are mainly arising from purchases on domestic and foreign markets.

Management believes that is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances. Nevertheless, future market fluctuations cannot be predicted with accuracy.

a) Interest risk

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

Change in the interest rates and interest margins may influence financing costs and returns on financial investments.

Changes in market interest rates affect the interest income on time deposits with banks. As of 31 December 2017 the Company has time deposits in banks in amount of MKD 759,382 thousands (2016: MKD 839,320 thousands).

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 all 2017.

17. Financial risk management objectives and policies (continued)

For purposes of sensitivity analyses from foreign currency risk, Management used the assumption of 1% increase of Foreign exchange rate of EUR which is considered reasonable having in mind stable local currency against EUR during the past years. As of the 31 December 2017, if EUR would have been 1% (2016: 1%) weaker or stronger against MKD, profit would have been MKD 828 thousand (2016: MKD 729 thousand) after tax in net balance higher or lower, respectively.

The Company's outstanding balances was as follows:

2017	Total	MKD	EUR
Assets			
Cash and cash equivalents	829,324	100,498	728,825
Trade receivables and other current financial assets	502,674	216,543	286,131
Total assets	1,331,998	317,041	1,014,957
Liabilities			
Trade payables	349,329	199,956	149,373
Other payables and current liabilities	103,540	65,852	37,688
Total liabilities	452,869	265,808	187,061
Net balance sheet exposure	879,129	51,233	827,896
2016	Total	MKD	EUR
Assets			
Cash and cash equivalents	863,995	174,502	689,493
Trade receivables and other current financial assets	369,677	200,965	168,712
Total assets	1,233,672	375,467	858,205
Liabilities			
Trade payables	311,344	190,954	120,390
Other payables and current liabilities	73,360	64,338	9,022
Total liabilities	384,704	255,292	129,412
Net balance sheet exposure	848,968	120,175	728,793

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 2017 and 31 December 2016 based on contractual undiscounted payments.

17. Financial risk management objectives and policies (continued)

Year ended 31 December 2017

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	281,801	-	-	-	281,801
Other payables	-	103,540	-	-	-	103,540
Payables to related parties	-	67,528	-	-	-	67,528

Year ended 31 December 2016

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade payables	-	245,983	-	-	-	245,983
Other payables	-	73,360	-	-	-	73,360
Payables to related parties	-	65,361	-	-	-	65,361

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 2017 and 31 December 2016.

17. Financial risk management objectives and policies (continued)

Capital management (continued)

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

	<i>2017</i>	<i>2016</i>
	<i>MKD '000</i>	<i>MKD '000</i>
EBITDA	<u>1,348,544</u>	<u>1,488,384</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.

18. Events after the reporting period

There are no events after the reporting period that would have impact on the 2017 Statement of comprehensive income, Statement of financial position or Statement of cash flow.

Appendix A

Financial Statements for the year ended 31 December 2017

Supplementary information concerning the calculation of EBITDA

		2017 MKD'000
Sales		4,146,425
Other revenue		102,314
Cost of sales		(2,778,046)
Gross profit		1,470,693
Other operating income		97,449
Other operating expenses		(182,801)
Selling and marketing expenses		(35,915)
Administrative expenses		(163,467)
Profit from operating activities	EBIT	1,185,959
Finance income		6,791
Foreign exchange gains/ (losses) net		5,494
Finance costs		(1,240)
Net finance income		11,045
Profit before tax	EBT	1,197,004
Income tax expenses		(103,632)
Profit for the year		1,093,372
Other comprehensive income		-
Total comprehensive income for the year		1,093,372
EBIT		1,185,959
Depreciation and amortisation		162,585
EBITDA		1,348,544