TITAN
CEMENTARA KOSJERIĆ

"TITAN CEMENTARA KOSJERIC" DOO
FINANCIAL STATEMENTS
FOR THE GROUP CONSOLIDATION PURPOSES
FOR THE YEAR ENDED 31 DECEMBER 2017

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Director
Mr. Miroslav Gligorijević

Registered office

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Zivojina Misica bb
31260 Kosjeric
Republic of Serbia

Auditor

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INDEPENDENT AUDITOR'S REPORT

To the Management of Titan Cementara Kosjerić d.o.o., Kosjerić

We have audited the accompanying financial statements of Titan Cementara Kosjerić d.o.o., Kosjerić (the "Company") which comprise the statement of financial position as of 31 December 2017 and the statement of profit and loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended and notes, comprising 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 the requirements of 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Law on Auditing and auditing regulation effective in the Republic of Serbia. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company'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 Company'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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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Restriction of use

This Independent Auditor's Report has been prepared exclusively for management and owners of Titan Cementara Kosjerić d.o.o., Kosjerić and is not suitable for use by any other party. No other party is entitled to relay on this report and we do not accept any responsibility or duty of care to any party other than management and owners of Titan Cementara Kosjerić d.o.o., Kosjerić. Any disclosure of this report to a third party shall be made only with our prior written consent and against such party's acknowledgement that we have no obligation, responsibility or duty of care towards it.

Milivoje Nešović
Licensed Auditor

PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 13 February 2018

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

Income statement

	Notes	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Sales	4	4,810,906	4,126,632
Cost of sales	5	(2,760,156)	(2,327,763)
Gross profit		**2,050,750**	**1,798,869**
Other operating income	6	18,284	24,282
Selling expenses	8	(29,239)	(32,952)
Administrative expenses	9	(301,400)	(310,092)
Other operating expenses	7	(37,533)	(69,954)
Profit from operating activities		**1,700,862**	**1,410,153**
Finance income/(expenses), net	11	(52,296)	18,349
Profit before taxation		**1,648,566**	**1,428,502**
Income tax expense	12	(249,093)	(216,811)
Profit for the period		**1,399,473**	**1,211,691**
Attributable to:			
Owners of the parent		**1,399,473**	**1,211,691**

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

Statement of comprehensive income

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Profit for the period	**1,399,473**	**1,211,691**
Other comprehensive income	-	-
Total comprehensive income for the period	**1,399,473**	**1,211,691**
Attributable to:		
Owners of the parent	**1,399,473**	**1,211,691**

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

Statement of financial position

	Notes	As at 31 Dec 2017	As at 31 Dec 2016
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,780,745	1,860,259
Construction in progress	13	154,232	94,120
Intangible Assets in progress	14	9,401	-
Intangible Assets	14	-	1,969
Investment in subsidiary	15	7,966	7,966
Deferred tax assets-net	12	12,005	7,159
Other non-current assets		1,384	-
		1,965,733	**1,971,473**
Current assets			
Inventories	16	604,026	472,470
Trade receivables	17	432,858	305,911
Other receivables	18	56,257	42,481
Cash and cash equivalents	19	1,498,436	1,534,925
		2,591,577	**2,355,787**
Total assets		**4,557,310**	**4,327,260**
EQUITY AND LIABILITIES			
Capital and reserves			
Shares	20	2,505,209	2,505,209
Reserves		166,474	166,474
Retained earnings/(losses)		-	-
Current period result		1,399,473	1,211,691
		4,071,156	**3,883,374**
Non-current liabilities			
Other non-current liabilities	21	57,319	43,369
Deferred tax liabilities-net	12	-	-
Current liabilities			
Trade and other payables	22	428,835	400,517
Total Liabilities		**486,154**	**443,886**
Total equity and liabilities		**4,557,310**	**4,327,260**

The accompanying notes on pages 8 to 34 are an integral part of these Financial Statements

The financial statements on pages 3 to 34 were signed on its behalf by:

Mr. Miroslav Gligorijević
Director

ТИТАН ЦЕМЕНТАРА КОСЈЕРИЋ ДОО
КОСЈЕРИЋ

Slavica Vukosavljević
Finance Director

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

Statement of Changes in Equity

	Ordinary shares	Reserve	Retained earnings	Current period result	Total
Balance at 1 January 2016	2,505,209	166,474	-	945,637	3,617,320
Adjustment	-	-	-	55	55
Adjusted Balance at 1 January 2016	**2,505,209**	**166,474**	-	**945,692**	**3,617,375**
Profit for the period	-	-	-	1,211,328	1,211,328
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	**1,211,328**	**1,211,328**
Transfer to retained earnings	-	-	945,692	(945,692)	-
Dividends distribution	-	-	(945,692)	-	(945,692)
Balance at 31 December 2016	2,505,209	166,474	-	1,211,328	3,883,011

	Ordinary shares	Reserve	Retained earnings	Current period result	Total
Balance at 1 January 2017	2,505,209	166,474	-	1,211,328	3,883,011
Adjustment	-	-	-	363	363
Adjusted Balance at 1 January 2017	**2,505,209**	**166,474**	-	**1,211,691**	**3,883,374**
Profit for the period	-	-	-	1,399,473	1,399,473
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	**1,399,473**	**1,399,473**
Transfer to retained earnings	-	-	1,211,691	(1,211,691)	-
Dividends distribution	-	-	(1,211,691)	-	(1,211,691)
Balance at 31 December 2017	2,505,209	166,474	-	1,399,473	4,071,156

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

Statement of cash flow

	Notes	For 12 months period ended 31-Dec-17	For 12 months period ended 31- Dec-16
Cash flows from operating activities			
Profit after taxation		1,399,473	1,211,691
Adjustments for:			
Tax	12	249,093	216,811
Depreciation and amortization expense		184,775	187,214
Interest income	11	(13,262)	(12,209)
Interest expenses and Bank Charges		2,220	2,502
(Gain) / Loss on sale of property, plant and equipment		-	-
Loss on disposals of fixed assets		1	16
Accretion on provision for rehabilitation of quarries	11	6,193	
Effects of exchange rate changes	11	57,145	(8,642)
Operating cash flows before working capital Changes		**1,885,638**	**1,597,383**
Changes:			
(Increase)/decrease in trade and other Receivables		(142,109)	(30,222)
(Increase)/decrease in inventory		(131,556)	16,224
Increase/(decrease) in trade and other payables		45,903	45,057
Decrease in other long term assets		-	-
Cash generated from operations		**1,657,876**	**1,628,442**
Interest and Bank charges paid		(2,220)	(2,502)
Tax paid		(266,034)	(155,847)
Net cash from operating activities		**1,389,622**	**1,470,093**
Cash flows from investing activities			
Acquisition of subsidiary		-	-
Disposal of Subsidiary, Net of Cash Disposed		-	-
Fair value gains on Participation Investment in Subsidiary		-	-
Purchase of property, plant and equipment		(161,136)	(131,357)
Purchase of intangible assets		(9,401)	-
Interest received		13,262	12,209
Proceeds from sale of property, plant and Equipment		-	-
Net cash used in investing activities		**(157,275)**	**(119,148)**
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		(1,211,691)	(945,692)
Net cash from financing activities		**(1,211,691)**	**(945,692)**
Effects of exchange rate changes		(57,145)	8,642
Net increase/(decrease) in cash		**(36,489)**	**413,895**
Cash at the beginning of period	19	**1,534,925**	**1,121,030**
Cash at the end of period	19	**1,498,436**	**1,534,925**

1. General information

Titan Cementara Kosjeric d.o.o. ("the Company") is a limited liability company, domiciled in Kosjeric, Republic of Serbia. The address of its registered office is as follows: Zivojina Misica bb, 31260 Kosjeric.

The Company was founded in 1975. Titan Group (the Group) domiciled in Greece, Athens and represented by Tithys Ltd, Cyprus, acquired 70% of the shares of the Company on 2 April 2002.

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

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

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

The Company employed 219 people as at 31 December 2017 (as at 31 December 2016: 218 people).

2. Summary of significant accounting policies and accounting estimates

2.1. Basis of preparation

These Financial Statements for the year ended 31 December 2017 were prepared in accordance with International Financial Reporting Standards (IFRS) and are not the statutory accounts of the Company. The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily Serbian). The accompanying Financial Statements were primarily derived from the Company's statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (IFRS). The sole purpose of the financial statements is to be used in connection and preparation of consolidated financial statements of Titan Cement Company S.A.

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

The Financial Statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, management reviews forecasts of future cash inflows. Based on these reviews, management believes that the Company will be able to continue to operate as a going concern in the foreseeable future and, therefore, this principle should be applied in the preparation of these Financial Statements.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in note (3)

The accounting policies adopted are consistent with those of the previous financial year.

2.2. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Company are measured and presented in Serbian dinars ("RSD") irrespective of whether the RSD is the Company's functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transaction or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Exceptionally, the effects of the currency clause and the effects of the translation differences that relate to foreign currency receivables and payables /amend as appropriate/ were, in accordance with the regulations of the Ministry of Finance, deferred and recognized in the Statement on financial position within accruals, in their net amounts. A pro rata share of the deferred effects of the currency clause and a pro rata share of the deferred translation differences /amend as appropriate/ will be recognized in the Income Statement as at the maturity date of the payable or receivable based on which these effects have been calculated.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

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

2.2. Foreign currency translation - *Transactions and balances* (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in carrying amount are recognized in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the appropriate reserve within revaluation reserve in equity.

2.3. Property, plant and equipment

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

Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.
Depreciation is calculated on the straight-line method intended to write off the cost of each asset to their residual values over the estimated useful life.
Land on which quarries are located is depreciated on a depletion basis. This depletion is recorded as the material extraction process advances based on the unit-of-production method. Other land is not depreciated.

Depreciation rates are set as follows:

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

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

Spare parts are capitalized within property, plant and equipment if their value is higher than EUR 50,000 and are expected to be used more than one period. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

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

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

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

2.4. Non-derivative financial assets

The Company has the following non-derivative financial assets: long-term loans and receivables.

The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Company loans and receivables comprise 'trade and other receivables'.

Trade receivables are amounts due from customers for products and merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Profit and Loss within "Other operating expenses" (note 7). When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited to "Other operating income" in the Profit and Loss (note 6).

2.5. Non-Derivative Financial Liabilities

Trade Payables

The Company initially recognizes financial liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date on which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.6. Cash and cash equivalent

Cash and cash equivalents consist of cash on hand, cash at banks and short-term deposits with an original maturity of three months and less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, less any credit balances on bank accounts.

2.7. Investments in subsidiaries

Investments in subsidiaries are accounted at cost.

2.8. Inventories

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

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

2.9. Provisions

Provisions for environmental restoration, employee benefit (as described under note 2.11) and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized 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 expenditure 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 financial expense and charged to Profit and Loss.

2.10. Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the Profit and Loss, except to the extent that it relates to items recognized directly in equity, in which case deferred tax liability is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Company operates and generates taxable profit. 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 is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the 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.

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

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

2.11. Employee benefits

The Company provides to its employees staff leaving indemnities on retirement and jubilee awards, which fall into category of other long-term benefits. The benefits for staff leaving indemnities on retirement are unfunded. The cost of providing these benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense immediately. The past service cost is recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

2.12. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts after eliminating sales within the group.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as describe below. The amount of the revenue is not considered to be reliably measurable until all contingences relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods – wholesale

The Company manufactures and sells cement in the wholesale market. Sales of goods are recognized when the Company has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Freight revenue

The Company provides cement transportation services. Freight revenue is recognized at the date of transportation.

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.

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 amount of assets and liabilities within the next financial year are addressed below.

Retirement benefits and jubilee awards

The present value of the retirement benefits obligations and jubilee awards ("the 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) include the discount rate, future salary increase, mortality rates and employees turnover. Any changes in these assumptions will impact the carrying amount of the 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 obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

Other key assumptions for the obligations are based in part on current market conditions. Additional information is disclosed in note 21.

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

3. Critical accounting estimates and judgments (continued)

Useful lives of Property, Plant and Equipment

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located.

Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the year.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2017 would be to increase/decrease it by RSD 16,008 thousand (2016: RSD 17,976 thousand).

Depletion – estimated reserves

Land on which quarries are located depleted using the unit-of-production method. The unit-of production rates are based on proved mineral reserves estimated to be recovered from existing facilities using current operating methods.
Management engages independent appraiser for estimation of mineral reserves.

4. Sales

	For 12 months period ended 31-Dec-17	For 12 months period ended 31- Dec-16
Sales revenue cement Serbia	3,302,073	3,115,344
Sales revenue cement Montenegro	1,398,016	891,563
Sales revenue cement Croatia	104,812	110,066
Sales revenue cement Kosovo	6,005	9,659
Total	**4,810,906**	**4,126,632**

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

5. Cost of sales

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Variable		
Kiln fuel	518,585	344,599
Raw material	180,347	149,698
Electricity power	361,769	251,324
Fuel and oil	33,263	40,033
Refractory	17,898	18,417
Grinding media	2,094	4,376
Concession fees	18,382	15,153
Third party Labor Quarry	83.860	52.860
Other variable costs	1,874	6,766
Total variable cost	**1,218,072**	**883,226**
Fixed		
Salaries	340,735	339,517
Training	3,964	3,370
Maintenance spare parts	50,896	57,199
Third parties services	39,575	30,479
Lining	1,181	731
Insurance and taxes	28,233	26,879
Plant utilities	5,885	5,574
Heating expenses	4,200	3,788
Petty inventory and consumables	10,378	9,901
Cement quality control and certification	6,912	7,303
Health and safety at work	2,954	2,639
Car expenses	2,689	2,614
Material for laboratory	3,298	2,776
Environmental protection costs	4,225	3,527
Stationary	2,529	2,461
Other fixed costs	10,051	7,412
Total fixed cost	**517,705**	**506,170**
Packing		
Salaries	50,720	50,038
Training	409	363
Bags and folio	100,234	96,229
Pallets	58,998	55,638
Electricity power	5,596	4,009
Fuel and oil	1,886	2,005
Maintenance spare parts & Third parties maintenance	11,020	9,606
Insurance	662	753
Other expenses	4,870	4,694
Total packing cost	**234,395**	**223,335**
Inventory (Increase)/Decrease	**(77,042)**	**(636)**
Depreciation	**178,150**	**179,236**
Distribution Expenses		
Third parties services transportation	668,380	517,085
Custom and related expenses	4,190	2,987
Other	-	5
Total distribution costs	**672,570**	**520,077**
Cost of Trading Goods	**16,306**	**16,355**
Total Cost of Sales	**2,760,156**	**2,327,763**

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

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

6. Other operating income

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Revenue from sales of material	2,480	1,260
Collection of the receivables for which provision was made	2,846	383
Revenue from other operating activities	364	379
Reversal of unused provisions for retirement (long-term)	82	387
Reversal of unused provisions for retirement (short-term)	-	745
Reversal of unused provisions for jubilee awards (long-term)	-	403
Reversal of unused provisions for jubilee awards (short-term)	181	95
Internal revenue	4,299	5,308
Other income	8,032	15,322
Total other operating income	**18,284**	**24,282**

7. Other operating expenses

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Impairment of accounts trade receivables	4,159	1,111
Impairment of accounts other receivables	2,851	-
Provision for retirement benefits(long-term)	3,852	4,435
Provision for retirement benefits (short-term)	132	126
Provision for jubilee awards (long term)	5,823	1,108
Provision for jubilee awards (short-term)	2,644	3,876
Litigation provision	1,075	4,800
Restructuring expenses	1,833	33,870
Local road reconstruction expenses	-	10,196
Other expenses	15,164	10,432
Total other operating expenses	**37,533**	**69,954**

8. Selling expenses

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Salaries	24,123	27,338
Training	414	106
Traveling, Entertainment & Car Expenses	2,506	3,624
Other	1,755	1,455
Depreciation	441	429
	29,239	**32,952**

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

9. Administrative expenses

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Management fees – see Note 23	91,899	98,731
Salaries	107,382	100,047
Training and education	3,608	3,767
Donations	17,491	22,354
Communication	2,261	1,530
Consulting services	7,562	8,151
Legal and court fees	3,355	1,646
Entertainment	4,098	5,380
Car expenses	7,419	8,434
Business trip	2,763	2,247
Membership fees	4,501	4,369
Third party labor	18,544	18,792
Rents	4,583	4,421
Heating for offices	1,317	1,188
Fees and taxes	3,537	1,222
Cement Industry organization - services	2,084	2,607
Stationery	1,321	1,620
Advertising	1,023	1,736
Petty inventory and consumables	945	585
Electricity	1,425	1,069
Postal costs	1,488	1,288
Health and Safety	738	369
Trash removing	628	574
PR services	-	3,099
Other costs	5,244	7,317
Depreciation & Amortization	6,184	7,549
	301,400	**310,092**

Management fees relate to the contract signed on 31st of July 2015 between TITAN Cement Company Greece and the Company for the period of one year starting on 1st January 2015. This contract is to be renewed for an additional consecutive one-year periods, unless one of the contracted parties notifies the other, in writing, for non-renewal of the contract 60 days prior to its expiration. According to the contract TITAN Cement Company Greece will provide to the Company administrative and general technical assistance (commercial, human resources, financial, training etc.), as well as provide the Company with technical expertise of the Titan Group.

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

10. Expenses by nature

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Cost of energy	934,716	655,013
Transportation expenses	721,479	540,662
Salaries	521,052	515,847
Cost of materials	357,489	319,981
Depreciation & Amortization	184,775	187,214
Consultancy fees	100,801	105,931
Other expenses	82,174	76,953
Spare parts & Petty inventory	66,335	70,489
Third party services - maintenance	48,022	49,532
Taxes	43,662	38,506
Services related to mineral reserves exploitation	31,510	30,314
Cost of trading goods	16,306	16,354
Rent	14,797	17,141
Stationary and consumables	14,168	14,150
Provisions	13,526	14,344
Donations	8,566	12,953
Training	8,523	8,459
Provision for bad and doubtful debts	7,010	1,111
Insurance	6,993	7,975
Cement quality control	5,204	5,621
Hospitality	4,936	6,761
Membership fees	4,501	4,369
Cost of Health and Safety	3,717	2,740
Grinding media & Lining	3,275	5,107
Restructuring cost	1,833	33,870
Inventory (increase)/decrease	(77,042)	(636)
	3,128,328	**2,740,761**

11. Finance income and expenses

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Finance income		
Bank interest and related income	13,262	12,209
Foreign exchange gain	10,652	12,936
Total finance income	**23,914**	**25,145**
Finance expenses		
Accretion on provision for rehabilitation of quarries	(6,193)	-
Bank charges	(2,220)	(2,502)
Foreign exchange loss	(67,797)	(4,294)
Total finance expenses	**(76,210)**	**(6,796)**
Finance income and expenses, net	**(52,296)**	**18,349**

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

12. Taxation

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Current Income Tax	253,939	221,423
Deferred income tax expense / (income)	(4,846)	(4,612)
	249,093	**216,811**

The tax on the Company's profit before tax differs from theoretical amounts that would arise using the basic tax rate of 15% as follows:

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Accounting profit for the 12 months period ended 31 December	**1,648,566**	**1,428,502**
Add back:		
Accounting depreciation	184,775	187,214
Non business expenses	7,441	10,371
Penalties and capital loss	17	123
Impact of transfer pricing	839	729
Retirement Benefits calculated but not paid in the tax period for which it filed tax statement	3,984	4,560
Tax calculated but not paid in the tax period for which it filed tax statement	8,314	5,338
Rewords for Working Experience calculated but not paid in the tax period for which it filed tax statement	8,467	4,984
Employee Related Expenses calculated but not paid in the tax period for which it filed tax statement	386	410
Litigation Provision calculated but not paid in the tax period for which it filed tax statement	1,075	3,800
Other	640	2,389
Less:		
Depreciation for tax purposes	(159,470)	(162,273)
Retirement Benefits calculated in the previous and paid in the tax period for which it filed tax statement	(126)	-
Taxes calculated in the previous and paid in the tax period for which it filed tax statement	(5,167)	(3,645)
Rewords for Working Experience calculated in the previous and paid in the tax period for which it filed tax statement	(3,035)	(4,720)
Employee Related Expenses calculated in the previous and paid in the tax period for which it filed tax statement	(364)	-
Litigation Provision calculated in the previous and paid in the tax period for which it filed tax statement	(2,500)	-
Reversed unused long term provisions	(263)	(1,630)
Tax basis	1,692,929	1,476,152
Tax at 15% (2016: 15%)	253,939	221,423
Current income tax	**253,939**	**221,423**
Deferred income tax expense/(income)	(4,846)	(4,612)
	249,093	216,811

The weighted average applicable tax rate was 15.4% (2016: 15.5%).

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

12. Taxation (continued)

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 taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

Deferred tax liabilities	Accelerated tax depreciation
At 1 January 2016	2,814
Charged/(credited) to the income statement	(2,814)
Charged directly to equity	-
As 31 December 2016	-
Charged/(credited) to the income statement	-
Charged directly to equity	-
As 31 December 2017	-

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	Retirement benefit obligation	Provisions for rewards for working experience	Non paid taxes	Tax depreciation	Litigation Provision	Employee related expenses
At 1 January 2016	1,651	3,163	547	-	-	-
Charged/(credited) to the income statement	514	(35)	254	408	596	61
As 31 December 2016	2,165	3,128	801	408	596	61
Charged/(credited) to the income statement	567	787	446	3,263	(275)	58
As 31 December 2017	2,732	3,915	1,247	3,671	321	119

	2017	**2016**
Deferred income tax assets:		
- to be recovered after more than 12 months	10,123	5,697
- to be recovered within 12 months	1,882	1,462
Deferred income tax liabilities:		
- to be recovered after more than 12 months	-	-
- to be recovered within 12 months	-	-
Deferred income tax assets/liabilities (net)	12,005	7,159

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

13. Property, plant and equipment

	Land	Quarry land	Buildings	Machinery and equipment	Vehicles	Sub total	Construction in progress	Total
Cost								
At 1 January 2016	54,120	147,356	2,606,777	3,444,642	288,597	6,541,492	42,323	6,583,815
Additions during the period	-	-	-	1,310	-	1,310	122,045	123,355
Reclassification from/to another category	-	16,784	19,938	33,526	-	70,248	(70,248)	-
Sales / write off during period	-	-	-	(16,634)	-	(16,634)	-	(16,634)
At 31 December 2016	54,120	164,140	2,626,715	3,462,844	288,597	6,596,416	94,120	6,690,536
Additions during the period	-	13,759	-	4,680	-	18,439	144,965	163,404
Reclassification from/to another category	-	-	1,893	82,960	-	84,853	(84,853)	-
Sales / write off during period	-	-	-	(13,126)	-	(13,126)	-	(13,126)
At 31 December 2017	54,120	177,899	2,628,608	3,537,358	288,597	6,686,582	154,232	6,840,814
Accumulated depreciation/depletion								
At 1 January 2016	-	37,006	1,485,409	2,773,762	272,458	4,568,635	-	4,568,635
Charge for the period	-	3,036	72,805	103,143	5,156	184,140	-	184,140
Sales write off during period	-	-	-	(16,618)	-	(16,618)	-	(16,618)
At 31 December 2016	-	40,042	1,558,214	2,860,287	277,614	4,736,157	-	4,736,157
Charge for the period	-	3,035	72,600	102,120	5,050	182,805	-	182,805
Sales write off during period	-	-	-	(13,125)	-	(13,125)	-	(13,125)
At 31 December 2017	-	43,077	1,630,814	2,949,282	282,664	4,905,837	-	4,905,837
Net book value								
At 31 December 2017	54,120	134,822	997,794	588,076	5,933	1,780,745	154,232	1,934,977
At 31 December 2016	54,120	124,098	1,068,501	602,557	10,983	1,860,259	94,120	1,954,379

Depreciation expenses of RSD 182,805 thousand (2016: RDS 184,140 thousand) are charged under cost of sales and under administrative and selling expenses in income statement.

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

14. Intangible Assets

	Computer Software	Intangible Assets in progress	Total
Cost			
At 31 December 2015	**72,521**	-	**72,521**
Additions during the period	-	-	-
At 31 December 2016	72,521	-	72,521
Accumulated amortization			
At 31 December 2015	**67,475**	-	**67,475**
Charge for the period	3,077	-	3,077
At 31 December 2016	**70,552**	-	**70,552**
Net book value			
At 31 December 2016	**1,969**	-	**1,969**
At 31 December 2015	5,046	-	**5,046**

	Computer Software	Intangible Assets in progress	Total
Cost			
At 31 December 2016	72,521	-	72,521
Additions during the period	-	9,401	9,401
At 31 December 2017	72,521	9,401	**81,922**
Accumulated amortization			
At 31 December 2016	**70,552**	-	**70,552**
Charge for the period	1,969	-	1,969
At 31 December 2017	72,521	-	72,521
Net book value			
At 31 December 2017	-	9,401	9,401
At 31 December 2016	1,969	-	1,969

15. Investment in subsidiary

The Company has 100% ownership in TCK Montenegro d.o.o. Podgorica. The Subsidiary is dealing with sales of cement in the Republic of Montenegro.

Subsidiary	**As at 31 Dec 2017**	**As at 31 Dec 2016**
TCK Montenegro	7,966	7,966
Total	7,966	7,966

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

16. Inventories

	As at 31 Dec 2017	As at 31 Dec 2016
Material and fuel	85,751	62,913
Spare parts and other inventory	348,916	287,725
Packing materials	18,128	13,304
Work in progress	93,291	23,088
Finished products	56,566	49,727
Goods for resale	294	408
Advances for inventory	1,219	353
Provision for advances for inventory	(139)	-
Goods in transit	-	34,952
	604,026	472,470

Major portion of material and fuel as at 31 December 2017 amounting to RSD 42,152 thousand, RSD 3,931 thousand and RSD 2,775 thousand relates to petrol coke, heavy oil and additives for cement, respectively.

17. Trade receivables

	As at 31 Dec 2017	As at 31 Dec 2016
Trade receivables	242,787	220,500
Trade receivables from related parties (Note 23)	244,930	142,702
Provision for impairment of receivables	(54,859)	(57,291)
	432,858	305,911

For term and conditions relating to related party receivables, refer to Note 23.
Trade receivables are non-interest bearing and are generally on terms of 5 to 60 days.

As at 31 December 2017, trade receivables at nominal value of RSD 56,273 thousand were provided for impairment (31 December 2016: RSD 57,291 thousand). See below for the movements in the provision for impairment of receivables.

	Provision for impairment of trade receivables
At 1 January 2016	**68,367**
Charge for the year	1,111
Unused amounts reversed	(205)
Utilized during the year	(11,982)
At 31 December 2016	**57,291**
At 1 January 2017	**57,291**
Charge for the year	4,721
Unused amounts reversed	(3,407)
Utilized during the year	(3,746)
At 31 December 2017	**54,859**

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

17. Trade receivables (continued)

As at 31 December, the aging analysis of trade receivables and its provision for impairment is as follows:

Year ended 31 December 2017			Past due				
Description	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	242,787	52,797	54,313	33,846	40,231	3,156	58,444
Trade receivables-related parties	244,930	123,250	121,680	-	-	-	-
Total	**487,717**	**176,047**	**175,993**	**33,846**	**40,231**	**3,156**	**58,444**
Year ended 31 December 2016							
Trade receivables	220,500	28,433	41,263	22,747	10,264	7,624	110,169
Trade receivables-related parties	142,702	88,407	54,295	-	-	-	-
Total	**363,202**	**116,840**	**95,558**	**22,747**	**10,264**	**7,624**	**110,169**

Year ended 31 December 2017			Past due				
Description	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Provision of Trade receivables	54,859	-	-	-	1,014	916	52,929
Provision of Trade receivables-related parties	-	-	-	-	-	-	-
Total	**54,859**	-	-	-	**1,014**	**916**	**52,929**
Year ended 31 December 2016							
Provision of Trade receivables	57,291	-	-	-	-	-	57,291
Provision of Trade receivables-related parties	-	-	-	-	-	-	-
Total	**57,291**	-	-	-	-	-	**57,291**

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

18. Other receivables

	As at 31 Dec 2017	As at 31 Dec 2016
Advances to suppliers for current assets	358	533
Other receivables from related parties (Note 23)	19,752	18,334
Receivables from employees	1,738	1,573
Accrued expenses	18,881	10,186
Receivables for funds lent to firms	6	6
Receivables for rent	71	89
Receivables for sales of property, plant and equipment	-	1,375
VAT prepayment	7,797	3,416
Other receivables from the State	1,223	2,333
Other short term deposits	1,667	409
Other receivables	7,531	4,461
Other receivables, gross	59,024	42,715
Provision for receivables for funds lent to firms	(6)	(6)
Provision for receivables for employees	(48)	(48)
Provision for other receivables	(2,713)	(180)
Other receivables, net	56,257	42,481

As at 31 December 2017, other receivables at nominal value of RSD 2,767 thousand (2016: RSD 234 thousand) were provided for impairment. Movements in the provision for impairment of these receivables were as follows:

	Provision for impairment of receivables for funds lent to firms	Provision for receivables from employee	Provision for impairment of other receivables
At 1 January 2016	6	48	686
Charge for the year	-	-	-
Provision reversal	-	-	(18)
Utilized during the year	-	-	(488)
At 31 December 2016	6	48	180
At 1 January 2017	6	48	180
Charge for the year	-	-	2,713
Provision reversal	-	-	-
Utilized during the year	-	-	(180)
At 31 December 2017	6	48	2,713

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

19. Cash and cash equivalents

	As at 31 Dec 2017	As at 31 Dec 2016
Cash at bank	14,259	25,848
Short-term bank deposits	1,484,177	1,509,077
	1,498,436	**1,534,925**

Short-term bank deposits relate to time deposits up to three months.

As at 31 December 2017 deposits that are placed with EFG Bank EUR 5,384 thousand and RSD 197,859 thousand and with Societe Generale Bank EUR 4,882 thousand and RSD 70,000 thousand.

Average interest rates for short-term deposits in EUR is 0.88% per annum. For RSD deposits average interest rate is 3.13 % per annum.

The interest accrued for the period is recorded as interest income in the Income Statement.

20. Stakes in Limited Liability Company

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

As at 31 December 2017 the registered stake capital of the Company amounts to RSD 2,505,209 thousand.

21. Other non-current liabilities and provisions

	As at 31 Dec 2017	As at 31 Dec 2016
Retirement benefits	18,081	14,311
Provision for legal cases	2,547	3,972
Provision for jubilee awards	22,798	16,975
Provision for rehabilitation of quarries	13,893	8,111
	57,319	**43,369**

Provisions for retirement benefits

In accordance with the Collective agreement valid from December 1st 2014, the staff leaving indemnity will be pay according to Labor Law.

According to the evaluation of the certified actuary, the present value of the provision on 31 December 2017 was RSD 18,213 thousand (2016: 14,436 thousand) out of which RSD 18,081 thousand represented long-term portion (2016: 14,311 thousand). The principal actuarial assumptions used in calculation of provision were: discount rate – 5.5%, future salary increase 2 % per year up to 01.01.2023 and 4% per year after that.

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

21. Other non-current liabilities and provisions (continued)

Movements in the provision for retirement reword were as follows:

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
As at 1 January	**14,311**	**10,263**
Utilized during the year	-	-
Unused amounts reversed	(82)	(387)
Additional provision	3,852	4,435
Closing balance	**18,081**	**14,311**

Provision for legal cases

There are 6 ongoing pieces of litigation against the Company. In all cases the Company is sued by ex-employees except the one case. In the opinion of the management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2017.

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
As at 1 January	**3,972**	**172**
Utilized during the period	(2,500)	(1,000)
Unused amounts reversed	(460)	-
Additional provision	1,535	4,800
Closing balance	**2,547**	**3,972**

Provisions for Jubilee awards

Under the Collective agreement valid from December 1st 2014, the Company is obliged to pay Jubilee awards when the employee completes 10, 20 and 30 years of continuous employment within the Company.
Also, at the moment when the employee (women only) completes 35 years of continues employment and when the employee (men only) completes 40 years of continues employment within the Company.
The rewards are defined as follows:

a) 1 average salary of the Company to the employee that completes 10 years and 20 years of continuous employment in the Company and
b) 2 average net salary of the Company to the employee that completes 30 years, 35 years (for women) and 40 years (for men) of continuous employment in the Company.

According to the evaluation of the certified actuary, the present value of the provision on 31 December 2017 amounted to RSD 26,102 thousand (2016: 20,851 thousand) out of which RSD 22,798 thousand represented long-term portion (2016: 16,975 thousand). The principal actuarial assumptions used in calculation of provision were: 5.5%, future salary increase 2 % per year up to 01.01.2023. and 4% per year after that.

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
As at 1 January	**16,975**	**16,270**
Unused amounts reversed	-	(403)
Utilized during the period	-	-
Additional provision	5,823	1,108
Closing balance	**22,798**	**16,975**

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

21. Other non-current liabilities and provisions (continued)

Provisions for Rehabilitation for quarries	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
As at 1 January	**8,111**	**7,990**
Utilized during the period	(86)	-
Additional provision	6,193	-
Unrealized exchange differences	(325)	121
Closing balance	**13,893**	**8,111**

The Company is obliged by the Law, to perform rehabilitation of limestone and marl quarries after exploitation is finished. According to the Study prepared by the experts in this area, and which contains dynamics and evaluation of involved expenses, calculation of the present value of the provision is made using the discounting rate of 6.5% for the period up to end of 2038, and 7.5% for the rest of the period according to the Study. Final value of the provision on 31 December 2017, in the amount of RSD 13,893 thousand was in proportion with the discovered surface on the quarries up to end of 2017.

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

22. Trade and other payables

	As at 31 Dec 2017	As at 31 Dec 2016
Trade payables	282,252	252,242
Advances received	18,441	23,395
Other taxes payable	5,239	4,100
Payables for salaries	14,379	14,719
Social insurance contributions on salarie	7,208	7,405
Accruals	5,522	3,725
Income tax payable	50,969	63,063
Payables to related parties (Note 23)	33,029	23,267
Provision for retirement- current portion	132	126
Provision for Jubilee award – current portion	3,304	3,876
Rehabilitation of quarries – current portion	213	-
Tangible assets creditors	5,479	3,215
Other payables	2,668	1,384
	428,835	**400,517**

For terms and conditions relating to related parties, refer to Note 23.

The table below summarizes the maturity profile of the Company's current liabilities at 31 December 2017 based on contractual payments.

	Less than 3 months	3 to 12 months	More than 1 year	Total
Year ended 31 December 2017				
Trade payables	280,262	3,373	4,096	287,731
Other payables	29,406	-	301	29,707
Payables to related parties	33,029	-	100	33,029
Total	**342,697**	**3,373**	**4,397**	**350,467**

	Less than 3 months	3 to 12 months	More than 1 year	Total
Year ended 31 December 2016				
Trade payables	243,523	7,917	4,017	255,457
Other payables	27,307	-	301	27,608
Payables to related parties	22,853	314	100	23,267
Total	**293,683**	**8,231**	**4,418**	**306,332**

Concession fee

Since January 2017 concession fee have been RSD 23,5 per ton of extracted limestone and RSD 33,5 per ton of extracted marl. Total outstanding liability included in trade payables, as of 31 December 2017 amounted to RSD 4,966 thousand (31 December 2016: 3,012 thousand), while Profit and Loss has been charged by RSD 18,382 thousand (2016: 15,153 thousand (under "variable cost" (note 5)).

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

23. Related parties transactions

The Company is ultimately controlled by AEAS Ltd, Netherland, which owns 100% of the Company's basic capital. Ultimate owner of AEAS is TITAN Cement Company S.A. Greece.

Total amount of transactions for the relevant reporting period (including the outstanding balances at December 31) which have been entered with the parent company and other companies within Titan Group as well as the Company's subsidiaries and associates may be summarized as follows:

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Sales and services provided to related parties		
TCK Montenegro - Montenegro	1,399,471	893,042
Stari Silo Company doo	679	659
	1,400,150	**893,701**

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Purchase of goods and services from related parties		
Titan Cement Company S.A., Athens - Cost of trading goods	11,512	11,838
Titan Cement Company S.A., Athens - Management fee	91,899	98,732
Zlatna Panega Cement AD Bulgaria – purchase of electricity	56	-
	103,467	**110,570**

	As at 31-Dec-17	As at 31-Dec-16
Trade and other receivables		
TCK Montenegro – Trade receivables	244,930	142,702
TCK Montenegro – Other receivables	361	123
Stari Silo Company – Other receivables	19,391	18,211
	264,682	**161,036**
Trade and other payables		
Titan Cement Company S.A., Athens	33,029	23,267
	33,029	**23,267**

Sales to and purchases from related parties are generally made at normal market prices and conditions. Outstanding balances at year-end are unsecured and settlement occurs in cash. The Company has not raised any provision relating to amounts owed by related parties for the period ended 31 December 2017 and 31 December 2016. Such assessments are undertaken every financial year by examining financial position of each related party in question and the market in which it operates.

Key management compensation

Key management includes directors (executive and non-executive). The total compensation paid or payable to key management for employee services is RSD 34,422 thousand (2016: 32,266 thousand).

24. Financial risk management objectives and policies

Market risk

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

Except for the concentration of foreign currency risk, the Company has no significant concentration of market risk for other items.

Foreign currency risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has receivables, liabilities and time deposits in EUR. The Company manages its foreign currency risk by keeping assets in foreign currency at the level of liabilities in foreign currencies, so that the Company's exposure to this risk at the balance sheet date is low.

The following table illustrates sensitivity of the Company's profit before tax to a reasonable possible change in EUR exchange rate, at the assumption of constant values of all other factors:

	Change in EUR rate	*Effect on profit before tax in 000 RSD*
Year ended 31 December 2017	+10%	138,651
	-10%	-138,651
Year ended 31 December 2016	+10%	98,261
	-10%	-98,261

Credit risk

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

Credit risk related to receivables - The Company has no significant concentrations of credit risk. It has determined policies to ensure that wholesale of products are made to the customers with an appropriate credit history. Furthermore, receivables are often secured by solo bills or bank guarantees. Trade receivables as of 31 December 2017 are diversified. The maximum exposure of credit risk at the financial statements date is the carrying value of receivables stated in Note 17.

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

Liquidity risk

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

Maturity profile of the Company's liabilities is disclosed in Note 22.

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

24. Financial risk management objectives and policies (continued)

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 maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or increase registered capital, following shareholders' approval. No changes were made in the objectives, policies or processes during the period ended 31 December 2017 and 31 December 2016.

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

	For 12 months period ended 31-Dec-17	For 12 months period ended 31-Dec-16
Profit for the period	**1,399,473**	**1,211,691**
Add back:		
Income tax	249,093	216,811
Depreciation expenses –cost of sales	178,150	179,236
Depreciation expenses –selling expenses	441	429
Depreciation expenses –administrative expenses	6,184	7,549
Finance income and expenses, net	52,296	(18,349)
EBITDA	**1,885,637**	**1,597,367**

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

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

25. Potential liabilities and operational risks

Overdraft and guaranties

	As at 31 Dec 2017	As at 31 Dec 2016
Bank guarantee letters - asset	166,154	198,456
Bank guarantee letters – liability	58,073	128,564
Overdraft facility with Raiffeisen bank	240,000	240,000
Frame agreement for issuance of the letters of guarantee with Raiffeisen bank (unused)	84,095	19,602

Bank guarantee letters assets contain of guarantees received from customers in the amount of RSD 152,599 thousand, (in 2016: RSD 158,340 thousand), while the remaining amount of RSD 13,555 thousand is related to guarantees received from suppliers for prepayments.
Bank guarantee letters liability in the total amount of RSD 58,073 thousand (in 2016: RSD 128,564 thousand) have been issued in favor of suppliers.

Taxation

The periods that remain open to review by the tax and customs authorities with respect to tax liabilities is for the last five years. The taxation system in the Republic of Serbia is undergoing continual revision and amendment. However, there are still different interpretations of the fiscal legislations. The tax authorities may have different approaches to certain issues in different circumstances, and assess additional tax liabilities, together with additional payment interest and penalties. The Company's management considers the tax liabilities presented in these financial statements are fairly stated. Also, the TP Study for 2017 has not been finished yet, but the Company's management estimates that, taking into account the results of TP study for 2016 and the fact that in 2017 there were no significant changes in the transactions, that will not be a material impact on the result.

Environmental matters

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

Operating environment of the Company

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

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

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

Events occurring after the reporting period

There were not significant events after the reporting period.

26. Standards and Amendments issued but not effective yet

IFRS 9 Financial Instruments" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018)

Based on the preliminary analysis of the financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances that exist at that date, the management of the entity is not expecting a significant impact on its financial statements from the adoption of the new standard on 1 January 2018. Management believes that the additional provision in amount of RSD 2,871 thousand is immaterial and reflects the right measure of the risks associated with collecting the company's claims taking into account all available information's.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).

The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

Based on the preliminary analysis of revenue streams, sales contracts and on the basis of facts and circumstances that exist as at 31 December 2017, the expectation of the management is that impact on its financial statements, arising from the adoption of the new standard would be immaterial.

The Management plans to finish the implementation process in the first half of 2018. The main remaining tasks include changes in accounting policies and accounting instructions, adapting processes so that economic events are considered in terms of IFRS 15 requirements as at the transaction date and preparing disclosures for the consolidated financial statements. The Management plans to present the main disclosures arising from IFRS 15 requirements in its interim financial statements as at 30 June 2018.

IFRS 16 Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019)

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Management is currently assessing the impact of the new standard on its financial statements.