



Nr. 65/2 Prot.  
Datë: 19/02/2019

ANTEA CEMENT SH.A.

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018  
WITH INDEPENDENT AUDITORS' REPORT THEREON

## CONTENTS

INDEPENDENT AUDITOR'S OPINION .....	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	2
STATEMENT OF FINANCIAL POSITION .....	3
STATEMENT OF CHANGES IN EQUITY .....	4
STATEMENT OF CASH FLOWS.....	5
1. CORPORATE INFORMATION .....	6
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	6
3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS .....	16
4. FINANCIAL RISK MANAGEMENT .....	17
5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS.....	18
6. SALES OF PRODUCTS.....	22
7. OTHER REVENUES.....	22
8. COST OF SALES .....	23
9. OTHER INCOME.....	24
10. OTHER EXPENSES .....	24
11. SELLING AND MARKETING EXPENSES .....	24
12. ADMINISTRATIVE EXPENSES.....	25
13. EMPLOYEE BENEFITS EXPENSE .....	25
14. FINANCE COSTS .....	25
15. INCOME TAX.....	26
16. PROPERTY, PLANT AND EQUIPMENT .....	28
17. INTANGIBLE ASSETS .....	29
18. INVESTMENTS IN SUBSIDIARY .....	29
19. INVENTORIES.....	30
20. TRADE RECEIVABLES .....	30
21. OTHER RECEIVABLES.....	32
22. CASH AND CASH EQUIVALENTS.....	32
23. SHARE CAPITAL .....	32
24. BORROWINGS .....	33
25. TRADE PAYABLES .....	35
26. OTHER PAYABLES.....	35
27. RELATED PARTY TRANSACTIONS.....	36
28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES.....	39
29. FAIR VALUES.....	42
30. CAPITAL MANAGEMENT .....	43
31. COMMITMENTS AND CONTINGENCIES.....	43
32. EVENTS AFTER THE REPORTING PERIOD .....	44



## Independent Auditor's Report

To the Shareholders and Board of Directors of ANTEA CEMENT SH.A.

### Our opinion

In our opinion, the separate financial statements ("financial statements") present fairly, in all material respects, the financial position of ANTEA CEMENT SH.A. (the "Company") standing alone as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### What we have audited

ANTEA CEMENT SH.A.'s financial statements of the company standing alone comprise:

- The statement of profit or loss and other comprehensive income for the year ended 31 December 2018;
- The statement of financial position as at 31 December 2018;
- 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.

### 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 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.

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

PricewaterhouseCoopers Audit sh.p.k.  
Str. Ibrahim Rugova, SkyTower, 9th floor, TËrana, Albania  
T: +355 (4) 2242 254, F: +355 (4) 2242 639, [www.pwc.com/al](http://www.pwc.com/al)





## **Independent Auditor's Report (continued)**

### ***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 scepticism 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 those charged with governance 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.

  
PricewaterhouseCoopers Audit sh.p.k.

19 February 2019

Tirana, Albania





Jonid Lamllari

Statutory Auditor



# ANTEA CEMENT SH.A.

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Amounts in ALL thousand unless otherwise stated)

		Year ended 31 December 2018	Year ended 31 December 2017
	Notes		
Sales of products	6	5,548,554	6,569,773
Other revenue	7	285,456	313,710
<b>Revenue</b>		<b>5,834,010</b>	<b>6,883,483</b>
Cost of sales	8	(4,965,526)	(5,492,136)
<b>Gross profit</b>		<b>868,484</b>	<b>1,391,347</b>
Other income	9	109,016	123,491
Other expenses	10	(37,347)	(121,844)
Selling and marketing expenses	11	(69,063)	(70,600)
Administrative expenses	12	(493,207)	(500,058)
<b>Operating profit before interest, taxes and impairment</b>		<b>377,883</b>	<b>822,336</b>
Net finance income/(costs)	14	276,229	(318,989)
<b>Profit before tax</b>		<b>654,112</b>	<b>503,347</b>
Income tax expense	15	(116,842)	(25,774)
<b>Profit for the year</b>		<b>537,270</b>	<b>477,573</b>
Other comprehensive income			-
<b>Total comprehensive income for the year, net of tax</b>		<b>537,270</b>	<b>477,573</b>

The notes on pages 6 to 44 are an integral part of these financial statements.

# ANTEA CEMENT SH.A.

## STATEMENT OF FINANCIAL POSITION

(Amounts in ALL thousands unless otherwise stated)

		31 December 2018	31 December 2017
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	18,282,933	18,801,485
Intangible assets	17	101,076	105,186
Investments in subsidiary	18	829,931	829,931
		<b>19,213,940</b>	<b>19,736,602</b>
<b>Current assets</b>			
Inventories	19	1,615,011	2,015,724
Trade receivables	20	172,267	300,014
Other receivables	21	110,845	140,149
Receivables from related parties	27B	377,308	391,488
Cash and cash equivalents	22	710,832	602,678
		<b>2,986,263</b>	<b>3,450,053</b>
<b>TOTAL ASSETS</b>		<b>22,200,203</b>	<b>23,186,655</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	23	10,686,510	10,686,510
Accumulated losses		(4,451,534)	(4,988,804)
		<b>6,234,976</b>	<b>5,697,706</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	24A	12,164,153	13,886,666
Deferred tax liability	15	1,192,015	1,187,844
		<b>13,356,168</b>	<b>15,074,510</b>
<b>Current liabilities</b>			
Trade payables	25	698,727	537,407
Other payables	26	208,249	171,933
Interest-bearing loans and borrowings	24B	1,471,665	1,467,560
Payables to related parties	27D	230,418	237,539
		<b>2,609,059</b>	<b>2,414,439</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,200,203</b>	<b>23,186,655</b>

These financial statements have been approved by the management of the company on 04 February 2019 and signed on its behalf by:

Mario Bracci

Chief Executive Officer



Adrian Qirjako

Finance Director

The notes on pages 6 to 44 are an integral part of these financial statements.



## ANTEA CEMENT SH.A.

### STATEMENT OF CHANGES IN EQUITY

(Amounts in ALL thousand unless otherwise stated)

	Share capital	Accumulated deficit	Total
<b>As at 1 January 2017</b>	<b>10,686,510</b>	<b>(5,466,377)</b>	<b>5,220,133</b>
Net profit for the year	-	477,573	<b>477,573</b>
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	477,573	<b>477,573</b>
<b>As at 31 December 2017</b>	<b>10,686,510</b>	<b>(4,988,804)</b>	<b>5,697,706</b>
Net profit for the year		537,270	<b>537,270</b>
Other comprehensive income		-	-
Total comprehensive income for the year	<b>10,686,510</b>	<b>(4,451,534)</b>	<b>6,234,976</b>
<b>As at 31 December 2018</b>	<b>10,686,510</b>	<b>(4,451,534)</b>	<b>6,234,976</b>

The notes on pages 6 to 44 are an integral part of these financial statements.

# ANTEA CEMENT SH.A.

## STATEMENT OF CASH FLOWS

(Amounts in ALL thousand unless otherwise stated)

	Notes	Year ended 31 December 2018	Year ended 31 December 2017
<b>Profit before tax</b>		<b>654,112</b>	<b>503,347</b>
<b>Cash flows from operating activities</b>			
<b>Adjustments for:</b>			
Depreciation	16	844,492	817,962
Amortization	17	21,695	4,906
(Gain)/Loss on disposal of property, plant and equipment and intangible assets		(67)	504
Impairment of Investment			-
Movements in Forestation Provision	26	(16,140)	16,140
Movements in other provisions	26	(19,142)	24,581
Interest income	14	(106)	(119)
Interest expense	14	501,026	458,048
Foreign exchange translation differences		(810,548)	(162,453)
<b>Operating cash flows before working capital changes</b>		<b>1,175,322</b>	<b>1,662,916</b>
Decrease / (increase) in inventories	19	400,713	(293,980)
Decrease / (increase) in trade and other receivables	21,21	88,315	(180,350)
Increase in trade and other payables	25,26	158,479	67,780
<b>Changes in working capital</b>			
Interest paid		(127,263)	(239,710)
Interest received		106	119
<b>Net Cash flows from operating activities</b>		<b>1,695,672</b>	<b>1,016,775</b>
<b>Cash flows from investing activities</b>			
Proceeds from Sales of property, plant and equipment		1,182	-
Acquisition of property, plant and equipment		(327,055)	(318,874)
Acquisition of Intangible Assets		(17,585)	(6,350)
<b>Net cash flows used in investing activities</b>		<b>(343,458)</b>	<b>(325,224)</b>
<b>Cash flows from financing activities</b>			
Proceeds of borrowings		121,171	220,694
Repayment of borrowings		(1,329,501)	(1,255,214)
<b>Net cash flows (used in)/from financing activities</b>		<b>(1,208,330)</b>	<b>(1,034,520)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>143,884</b>	<b>(342,969)</b>
Cash and cash equivalents at 1 January	22	602,678	975,997
Effect of exchange rate changes on cash and cash equivalents		(35,730)	(30,350)
<b>Cash and cash equivalents at 31 December</b>	<b>22</b>	<b>710,832</b>	<b>602,678</b>

The notes on pages 6 to 44 are an integral part of these financial statements.



# ANTEA CEMENT SH.A.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

### 1. CORPORATE INFORMATION

Antea Cement Sh.A hereinafter referred as the ("the Company") is incorporated in the Republic of Albania with the registered address at Kashar, Katundi i ri, Autostrada Tirane-Durres km 7, PO BOX 1746, Tirana, Albania. The Company's main activity is production and trade of cement, bulk and packed in bags.

The Company is controlled by ALVACIM Ltd, registered in Cyprus, which has 80% shareholding in the Company, and IFC has 20% shareholding in the Company.

The Company's ultimate parent is Titan Cement Company S.A. - Greece.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2018 and 2017. The Company maintains its accounting records and publishes its statutory financial statements in accordance with the Accounting Law no. 9228 dated April 29, 2008 "On Accounting and Financial Statements".

The number of employees as of 31 December 2018 is 194; (31 December 2017: 193).

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are in accordance with International Financial Reporting Standards ("IFRS").

#### a. Basis of preparation

The separate financial statements "financial statements" have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5 for new and amended standards adopted by the Company).

The financial statements have been prepared under the historical cost convention. The presentation currency is Albania lek ("ALL") being also the functional currency and all amounts are rounded to the nearest thousand ('000 ALL) except when otherwise stated.

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

The Company has two fully owned (100%) subsidiaries, Albacemento Sh.p.k. established and operating in Albania and Cementi Antea SRL established and operating in Italy.

Titan Cement Company S.A (the Group) which is the ultimate controlling party of the Company produces and publishes consolidated financial statements in accordance with IFRS in which the Company and its subsidiaries are included. The consolidated financial statements can be obtained from <http://www.titan.gr>. In the consolidated financial statements, subsidiary undertakings – which are those companies in which the group, directly or indirectly, has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations – have been fully consolidated.

**Presentation currency.** These financial statements are presented in Albanian Lek ("ALL"), unless otherwise stated. Except as indicated, financial information presented in ALL has been rounded to the nearest thousand.



# **ANTEA CEMENT SH.A.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*(Amounts in ALL thousand unless otherwise stated)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **b. Investments in subsidiaries**

Investments in subsidiaries, associates and joint ventures are measured at cost less any impairment loss. The transaction costs are capitalized as part of the cost of the investment. The transaction costs are the costs directly attributable to the acquisition of the investment such as a professional fee for legal services, transfer taxes and other acquisition related costs.

Initial cost of the investments comprises also the contingent consideration. The subsequent remeasurement of the contingent consideration classified as financial liability is adjusted against the costs of the investment.

The investments are tested for impairment whenever there are indicators that the carrying amount of an investment may not be recoverable. If the recoverable amount of an investment (the higher of its fair value less cost to sell and its value in use) is less than its carrying amount, the carrying amount is reduced to its recoverable amount.

The carrying amount of an investment is derecognized on disposal. The difference between the fair value of the sale proceeds and the disposed share of the carrying amount of the investment is recognized in profit or loss as gain or loss on disposal. The same applies if the disposal result in a step down from subsidiary to joint venture or an associate measured at cost.

#### **c. Foreign currency translation**

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the national currency of the Republic of Albania, Albanian Lek (ALL).

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of Bank of Albania at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates are recognized in profit or loss as finance income or costs.

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

#### **d. Revenue Recognition**

Revenue comprises the invoiced value for the sale of goods and services net of value-added tax, discounts and after eliminating sales within the Company. Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties.

##### ***Sales of goods.***

Sales are recognized when control of the good has transferred, being when the goods are delivered to the customer, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.



# **ANTEA CEMENT SH.A.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*(Amounts in ALL thousand unless otherwise stated)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **d. Revenue Recognition (Continued)**

##### ***Sales of goods (continued)***

Revenue from the sales with discounts is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with a credit term of 30 to 120 days, which is consistent with market practice.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If the Company provides any additional services to the customer after control over goods has passed, revenue from such services is considered to be a separate performance obligation and is recognized over the time of the service rendering.

##### ***Rendering of services***

The Company provides services under fixed-price contracts. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

If the contract includes an hourly fee, revenue is recognized in the amount to which the Group has a right to invoice. Customers are invoiced for transportation costs as a separate performance obligation.

##### ***Financing components***

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Therefore, the Company does not adjust any of the transaction prices for the time value of money.

##### ***Interest Income***

Interest income is recognized on a time-proportion basis using the effective interest method. Revenue relates to time deposits and is recognized as interest accrues. Interest income is included in finance income in the statement of comprehensive income.

#### **e. Operating leases**

Where the Company is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Company, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Leases embedded in other agreements are separated if (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets and (b) the arrangement conveys a right to use the asset.

When assets are leased out under an operating lease, the lease payments receivable are recognized as rental income on a straight-line basis over the lease term.



# ANTEA CEMENT SH.A.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### f. Taxes

**Income taxes** have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge of 15% (2017: 15%) comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorized prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse, or the tax loss carry forwards will be utilized.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilized.

The Company controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Company does not recognize deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

#### Uncertain tax positions

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

#### Value added tax.

Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognized in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT. Based on the tax legislation, following fulfillment of certain criteria VAT can be recovered/offset, as a result such amounts have been taken into account for the impairment loss calculation.



# ANTEA CEMENT SH.A.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### g. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalized and the replaced part is retired. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Infrastructure intervention that increase the useful life of property, plant and equipment, improve operations or cost optimization are capitalized into the cost of land and building and depreciated over the useful life of such category.

#### Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

Land Improvements	10 to 40 years
Buildings	10 to 40 years
Plant and machinery	5 to 40 years
Vehicles	5 to 15 years
Furniture and Fittings, and Electronic Equipment	2 to 10 years

The residual value of an asset is the estimated amount that the Company would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

Spare parts are recognized as part of Property plant and equipment if the follow criteria's are met: the spare parts are expected to be used for more than one period, their cost can be measured reliably, it is probable that future economic benefits associated with the item will flow to the entity, and the unit value of the qualifying strategic spare part equals and exceeds the equivalent of Euro 50 thousand.

#### h. Intangible assets

The Company's intangible assets have definite useful lives and primarily include capitalized computer software, licenses, and works in progress.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring them to use.

	<u>Useful lives in years</u>
Computer software	5-10 years
Licenses	10 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.



# ANTEA CEMENT SH.A.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### h. Intangible assets (continued)

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill), if any, are reviewed for possible reversal at each reporting date.

#### i. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The Company capitalizes borrowing costs for all eligible assets where construction commenced on or after 1 January 2009.

#### j. Financial instruments – initial recognition and subsequent measurement

Financial instruments at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an expected credit loss ("ECL") allowance is recognized for financial assets measured at amortized cost ("AC") and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss. The Company does not have any FVTPL or FVOCI financial assets at the reporting date.

#### Financial assets

Classification and subsequent measurement – measurement categories.

The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. Classification and subsequent measurement – business model.

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Classification and subsequent measurement – cash flow characteristics.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment,



# ANTEA CEMENT SH.A.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### j. Financial instruments – initial recognition and subsequent measurement (Continued)

the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

The Company's financial assets include cash and short-term deposits, trade and other receivables, and short-term loans.

#### Subsequent measurement

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

##### *Trade receivables*

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method ("EIR"), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement in finance costs.

##### *Financial assets – reclassification*

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Company did not change its business model during the current and comparative period and did not make any reclassifications.

##### *Write-off.*

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

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

##### *Impairment of financial assets – credit loss allowance for ECL*

The Company assesses the ECL for debt instruments measured at AC. The Company measures ECL and recognizes net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Credit loss allowance is recognized using a simplified approach at lifetime ECL. The ECL is recognized through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates.



# **ANTEA CEMENT SH.A.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*(Amounts in ALL thousand unless otherwise stated)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **j. Financial instruments – initial recognition and subsequent measurement (Continued)**

##### **Financial liabilities**

*Classification and subsequent measurement – measurement categories.*

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

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

##### **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 statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method ('EIR') amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of comprehensive income.

##### **Derecognition**

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognized in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

#### **k. 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. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

#### **l. Inventories**

Inventories are recorded at the lower of cost and net realizable value. The cost of finished goods and work in progress comprises raw material, direct labor, other direct costs and related production overheads (based on the normal operating capacity) but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.



# ANTEA CEMENT SH.A.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Inventories (continued)

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw materials:

- Purchase cost on an average cost basis

Finished goods and work in progress:

- Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Initial cost of inventories includes the transfer of gains and losses on qualifying cash flow hedges, recognized in other comprehensive income, in respect of the purchases of raw materials.

#### m. Impairment on non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long - term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.



# **ANTEA CEMENT SH.A.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*(Amounts in ALL thousand unless otherwise stated)*

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **n. Cash and short-term deposits**

Cash and cash equivalents include cash in hand, current accounts and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost using the effective interest method. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

#### **o. 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. 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 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.

#### **p. Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved. Any dividends declared after the reporting period and before the financial statements are authorized for issue are disclosed in the subsequent events note. The statutory accounting reports of the Company are the basis for profit distribution and other appropriations.

#### **q. Trade payables**

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. 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.

#### **r. Employee benefits**

Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services) are accrued in the year in which the associated services are rendered by the employees of the Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the statutory defined contribution scheme.

#### **s. Comparatives**

Comparative figures have been reclassified where appropriate, to conform to changes in presentation in the current period. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented in the financial statements.



# **ANTEA CEMENT SH.A.**

## **NOTES TO THE FINANCIAL STATEMENTS**

*(Amounts in ALL thousand unless otherwise stated)*

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

#### **I. Estimates and assumptions**

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

#### **II. Impairment of receivables**

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments.

Measurement of ECLs is a significant estimate that involves determination methodology, models and data inputs. The Company assesses individually all court cases and receivables due more than 365 days. The expected credit loss is the product of the exposure of default, loss given default and probability of default. WACC of 8.5% is used for discounting.

All other trade receivables are assessed collectively by using a simplified approach at lifetime ECL. Loss ratios per categories are calculated based on a provisioning matrix which considers exposure at default, historical default rates, customer credit worthiness and changes in customer payment terms.

#### **III. Useful lives of property plant and equipment, and intangible assets**

Accounting for property, plant and equipment, and intangible assets involves the use of estimates for determining the expected useful lives of these assets and their residual values. The determination of the useful lives of the assets is based on management's judgment. Further details are provided in Notes 2 (f), (i), 16 and 17.

#### **IV. Taxes**

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the country in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Company's domicile. As the Company assesses the probability for a litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognized.

#### **V. Environmental restoration costs - Provisions for Forestation**

The Company is required to perform restoration works consisting in re-forestation on quarries and processing sites on yearly basis based on a specific schedule. These works are fulfilled each year and the respective costs are recognized in the statement of profit or loss and other comprehensive income of the Company.



# ANTEA CEMENT SH.A.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 15 – Income tax expense
- Note 20 – Accounts receivable
- Note 26 – Provisions
- Note 31 – Commitments and contingencies

### 4. FINANCIAL RISK MANAGEMENT

The Company has exposure to credit risk, liquidity risk and market risk from its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements and in particular in note 28.

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The principal financial instruments of the Company consist of cash on hand and at banks, loan from related party, trade accounts receivable and payable, other receivables and liabilities.

#### (i) Credit risk

Due to the large volume and diversity of the Company's customer base, concentrations of credit risk with respect to trade accounts receivable from customers are limited. The allowance for doubtful accounts receivable is stated at the amount considered necessary to cover potential risks in the collection of accounts receivable balances.

#### (ii) Liquidity risk

The Company generates significant cash flows from operating activities such that it believes that its liquidity risk is not significant.

#### (iii) Market risk

##### *Interest rate risk*

The Company faces interest rate cash flow risk related to its loans which are at a variable rate. Management has not entered into any derivatives to hedge this risk.

##### *Foreign exchange risk*

The Company has significant exposure toward foreign currencies. The Company has long-term and short-term borrowings denominated in Euro.



# ANTEA CEMENT SH.A.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### Sensitivity analysis

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates might have an impact on profit. Please refer to the respective sensitivity analysis in note 28a and 28b.

#### (iv) Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the EBITDA which is earnings before interest, taxes and depreciation. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Details on how EBITDA is calculated is presented in note 30.

The Company is not subject to externally imposed capital requirements.

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

### 5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019.

The following amended standards became effective for the Company from 1 January 2018 but did not have any material impact on the Company.

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

The following table reconciles the carrying amounts of each class of financial assets as previously measured in accordance with IAS 39 and the new amounts determined upon adoption of IFRS 9 on 1 January 2018.

	Measurement category		Carrying value under IAS 39 - 31 December 2017	Effect of adopting IFRS 9				Carrying value under IFRS 9 1 January 2018
	IAS 39	IFRS 9		Reclassification		Remeasurement		
				Mandatory	Voluntary	ECL	Other	
<i>In thousands ALL</i>								
Cash and cash equivalents	L&R	AC	602,678	-	-	-	-	602,678
Trade receivables	L&R	AC	300,014	-	-	-	-	300,014

All classes of cash and cash equivalents were reclassified from loans and receivables ("L&R") measurement category under IAS 39 to AC measurement category under IFRS 9 at the adoption date of the standard. The ECLs for cash and cash equivalents balances were insignificant.

The following table reconciles the prior period's closing provision for impairment measured in accordance with incurred loss model under IAS 39 to the new credit loss allowance measured in accordance with expected loss model under IFRS 9 at 1 January 2018:



# ANTEA CEMENT SH.A.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

### 5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

	Provision under IAS 39 or IAS 37 at 31 Dec 2017	Reclassifica tion to FVTPL	Reclassifica tion to FVOCI	Effect Remeasure ment from incurred to expected loss	Credit loss allowance under IFRS 9 at 1 January 2018
<i>In thousands ALL</i>					
<i>Loans and receivables measurement category:</i>					
- Trade receivables	300,014	-	-	-	300,014

- *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 Company applied simplified method of transition to IFRS 15 and elected to apply the practical expedient available for simplified transition method. The Company applies IFRS 15 retrospectively only to contracts that were not completed at the date of initial application (1 January 2018).

	Note 19	IAS 18 carrying amount at 31 December 2017	Reclassifi cation	Remeasure ments	IFRS 15 carrying amount at 1 January 2018	Retained earnings effect at 1 January 2018
<i>In thousands of ALL</i>						
Trade receivables		300,014	-	-	300,014	-

The adoption of IFRS 15 resulted in changes in accounting policies but no adjustments were necessary to the financial statements.

- *Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).*
- *IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).*

#### Standards issued but not yet effective and not early adopted

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Company has not early adopted. The Company is in the process of assessing the impact these changes will have on its accounts:

*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB)*



# ANTEA CEMENT SH.A.

## NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

### 5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

#### Standards issued but not yet effective and not early adopted (continued)

- *IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).* The new standard will result in almost all leases being recognized on the balance sheet by lessees, 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 recognized. The only exceptions are short-term and low-value leases. The company has set up a project team which has reviewed all the company's leasing arrangements over the last year considering the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments of ALL 205,945 Thousand (see note 19.a). Of these commitments, approximately ALL 27,345 thousand relate to short-term leases which will be recognized on a straight-line basis as expense in profit or loss.

For the remaining lease commitments, the company expects to recognize right-of-use assets of approximately ALL 153,521 Thousand on 1 January 2019, lease liabilities of ALL 153,521 Thousand (after adjustments for prepayments and accrued lease payments recognized as at 31 December 2018). Overall net assets will be approximately ALL 4,306 Thousand lower. EBITDA results is expected to increase during 2019 by approximately ALL 36,329 Thousand, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase, and financing cash flows decrease by approximately ALL 31,329 Thousand as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The company's activities as a lessor are not material and hence the company does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The company will apply the standard from its mandatory adoption date of 1 January 2019. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

- *IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).*
- *Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).*
- *Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).*
- *Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).*

The Company has performed a preliminary analysis and apart of the impact of IFRS16 which is disclosed above, the remaining standards and pronouncements are not expected to have a significant impact on the Company's accounts and results of operations.

#### Accounting policies before 1 January 2018

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows.

**Financial instruments – key measurement terms.** Depending on their classification financial instruments are carried at fair value, cost, or amortized cost.

**Classification of financial assets.** Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.



## ANTEA CEMENT SH.A.

### NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

#### 6. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

##### Accounting policies before 1 January 2018 (continued)

*Loans and receivables* are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Company intends to sell in the near term. The Company's loans and receivables comprise of 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

**Classification of financial liabilities.** Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognized in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortized cost. The Company's other financial liabilities comprise of 'trade and other payables' and 'borrowings' in the statement of financial position.

**Revenue recognition.** Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognizes revenue when the amount of revenue can be reliably measured; when 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 described below. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

*Sales of goods.* Revenues from sales of goods are recognized at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped. If the Company agrees to transport goods to a specified location, revenue is recognized when the goods are passed to the customer at the destination point.

*Sales of services.* Sales of services are recognized in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.



## ANTEA CEMENT SH.A.

### NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

#### 9. OTHER INCOME

Other income in the statement of comprehensive income is analyzed as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Income from sales of fixed assets	1,182	-
Excise reimbursement	70,092	120,145
Reversal of Provision for Forestation	16,139	
Reversal of other provisions (Note 19/26)	20,959	-
Other Operating Income	644	3,346
<b>Total</b>	<b>109,016</b>	<b>123,491</b>

Reversal of other provisions for 2018 in the amount of ALL 18,347 thousand related to provision for operational risk created in the previous period, that has been settled during current period as well as the amount of ALL 2,612 reversal of provision for un-used holidays. Reversal of forestation provision in the amount of ALL 16,139 thousand relates to forestation works settled during the current period. (2017; reversal of other provisions for 2017 is nil (Note 8).

#### 10. OTHER EXPENSES

Other expenses in the statement of comprehensive income are analyzed as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Net book value of sold assets/disposed assets	1,115	504
Forestation Provision	-	16,140
Other provisions	1,816	24,581
Losses of inventory	80	4,356
Other expenses	34,336	76,263
<b>Total</b>	<b>37,347</b>	<b>121,844</b>

2018: Other provision in the amount of ALL 1,816 thousand for additional personnel costs (Note 15. Included in other expenses there is an amount of ALL 10,598 related to one-off forestation obligations performed by the company during the year as well as the amount of ALL 19,607 thousand related to settlements with third parties.

2017: Forestation provision relates to one-off forestation obligation the company has for one of its quarries. Other provision in the amount of ALL 24,581 thousand, relating to ALL 4,741 thousand for un-used holidays (Note 26), ALL 1,494 thousand for additional personnel costs (Note 26) and ALL 18,346 provision for operational risks (Note 26); Included in other expenses there is an amount of ALL 59,877 thousand related to losses from litigations please refer to (Note 31c);

#### 11. SELLING AND MARKETING EXPENSES

The selling and marketing expenses in the statement of comprehensive income are analyzed as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Salaries and related expenses (Note 13)	45,581	47,768
Utilities	14,706	15,756
Other expenses	8,776	7,076
<b>Total</b>	<b>69,063</b>	<b>70,600</b>



**ANTEA CEMENT SH.A.****NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousand unless otherwise stated)***12. ADMINISTRATIVE EXPENSES**

The administrative expenses in the statement of comprehensive income are analyzed as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Consultancy fees	133,407	131,101
Salaries and related expenses (Note 13)	96,596	108,138
Supplies	83,602	83,840
Depreciation	62,020	60,954
Insurance and taxes	40,587	52,777
Repairs and maintenance	6,551	11,446
Utilities	12,407	13,098
Travel-entertainment	6,664	5,934
Audit Fees	3,685	5,112
Amortization	21,695	4,906
Other Expenses	25,993	22,752
<b>Total</b>	<b>493,207</b>	<b>500,058</b>

**13. EMPLOYEE BENEFITS EXPENSE**

The employee benefits included under cost of sales, selling and marketing expenses and administrative expenses are summarized further as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Gross salaries	302,945	307,199
Other related expenses	91,865	99,960
<b>Total</b>	<b>394,810</b>	<b>407,159</b>
<i>Allocated to:</i>		
Cost of sales (note 8)	252,633	251,253
Selling and marketing expenses (note 11)	45,581	47,768
Administrative expenses (note 12)	96,596	108,138
<b>Total</b>	<b>394,810</b>	<b>407,159</b>

**14. FINANCE COSTS**

Net finance costs for years ended 31 December 2018 and 2017 are detailed as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
<b>Finance Income</b>		
Interest income	106	119
Foreign exchange gain	1,074,360	523,708
<b>Finance Income</b>	<b>1,074,466</b>	<b>523,827</b>
Interest expense	(501,026)	(458,048)
Other financial costs	(25,615)	(11,362)
Bank charges	(7,785)	(12,151)
Foreign exchange losses	(263,811)	(361,255)
<b>Finance Cost</b>	<b>(798,237)</b>	<b>(842,816)</b>
<b>Net finance Income/(Cost)</b>	<b>276,229</b>	<b>(318,989)</b>



**ANTEA CEMENT SH.A.****NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousand unless otherwise stated)***15. INCOME TAX**

The income tax expense comprises of:

	Year ended 31 December 2018	Year ended 31 December 2017
Current income tax charge	112,671	12,272
Deferred income tax	4,171	13,502
<b>Income tax expense for the year</b>	<b>116,842</b>	<b>25,774</b>

A reconciliation of Current Income Tax Charge for the year ended 31 December 2018 and 31 December 2017 is provided as follows

	Year Ended 31 December 2018	Year Ended 31 December 2017
Accounting profit/(loss) before income tax	654,112	503,347
Add Back:		
Expenses not deductible for tax purposes	136,138	235,189
Less:		
Tax Depreciations	(2,011)	(111,952)
Non-Taxable Income	(37,097)	-
<b>Taxable Profit</b>	<b>751,142</b>	<b>626,584</b>
Utilization of Taxable Losses Carried Forward	-	(544,770)
<b>Taxable Profits</b>	<b>751,142</b>	<b>81,814</b>
<b>Current income tax charge at 15%</b>	<b>112,671</b>	<b>12,272</b>

As per the Albanian Tax legislation the tax losses can be carried forward for a period of 3 consecutive years. There are no tax losses carried forward in 2018.

	31 December 2018	31 December 2017	Tax loss carry-forwards expiring by the end of:
Taxable losses of year 2014	-	(337,037)	31 December 2017
Taxable losses of year 2016	-	(207,733)	31 December 2019
<b>Of which available for utilization as at 31 December</b>	<b>-</b>	<b>(544,770)</b>	
<b>Carried Forward</b>	<b>-</b>	<b>-</b>	



**ANTEA CEMENT SH.A.****NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousand unless otherwise stated)***15. INCOME TAX (CONTINUED)**

Below are analyzed deferred taxes by type of temporary differences

Differences between IFRS and statutory taxation regulations in Albania give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The effect of the movements in these temporary differences is detailed below.

	Statement of Financial Position		Statement of Comprehensive Income	
	31 December 2018	31 December 2017	2018	2017
<b>Deferred tax assets</b>				
Other provisions	1,700	2,092	(392)	711
Impairment of Receivables	65,491	69,097	(3,606)	2,592
	<b>67,191</b>	<b>71,189</b>	<b>(3,998)</b>	<b>3,303</b>
<b>Deferred tax liabilities</b>				
Accelerated tax depreciation/amortization	(1,259,206)	(1,259,033)	(173)	(16,805)
	<b>(1,259,206)</b>	<b>(1,259,033)</b>	<b>(173)</b>	<b>(16,805)</b>
<b>Deferred tax (losses)</b>	<b>(1,192,015)</b>	<b>(1,187,844)</b>	<b>(4,171)</b>	<b>(13,502)</b>



# **ANTEA CEMENT SH.A.**

## **NOTES TO THE FINANCIAL STATEMENTS**

(Amounts in ALL thousand unless otherwise stated)

### **16. PROPERTY, PLANT AND EQUIPMENT**

	Land and improvements	Buildings	Plant and machinery	Vehicles	Furniture and Fittings	Electronic Equipment	Assets under construction	Total
<b>Cost</b>								
As at 1 January 2017	2,738,665	1,667,765	19,342,990	23,592	25,568	186,603	528,543	24,513,726
Additions	-	-	28,278	-	668	4,946	284,982	318,874
Transfers	-	7,420	215,247	-	-	4,144	(322,779)	(95,968)
Disposals	-	-	-	-	-	(748)	-	(748)
As at 31 December 2017	2,738,665	1,675,185	19,586,515	23,592	26,236	194,945	490,746	24,735,884
Additions	111,939	-	26,105	-	573	6,733	181,705	327,055
Transfers	32,523	49,600	236,882	-	1,103	930	(321,038)	-
Disposals	-	-	(1,698)	-	-	-	-	(1,698)
As at 31 December 2018	2,883,127	1,724,785	19,847,804	23,592	27,912	202,608	351,413	25,061,241
<b>Accumulated Depreciation</b>								
As at 1 January 2017	406,617	265,529	4,275,174	19,886	24,855	124,620	-	5,116,681
Charge for the year	64,271	41,649	691,159	1,078	280	19,525	-	817,962
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(244)	-	(244)
As at 31 December 2017	470,888	307,178	4,966,333	20,964	25,135	143,901	-	5,934,399
Charge for the year	64,271	43,007	715,913	624	415	20,262	-	844,492
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	(583)	-	-	-	-	(583)
As at 31 December 2018	535,159	350,185	5,681,663	21,588	25,550	164,163	-	6,778,308
<b>Net book value</b>								
As at 31 December 2017	2,267,777	1,368,007	14,620,182	2,628	1,101	51,044	490,746	18,801,485
As at 31 December 2018	2,347,968	1,374,600	14,166,141	2,004	2,362	38,445	351,413	18,282,933

Included in "Assets under constructions" there are strategic spare parts amounting to ALL 318,083 thousand (2017; ALL 318,080 thousand).  
No Property Plant and equipment have been pledged as collateral as at 31 December 2018, (2017; none)



**ANTEA CEMENT SH.A.****NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousand unless otherwise stated)***17. INTANGIBLE ASSETS**

The intangible assets in the statement of financial position are analyzed as follows:

	Computer software	Licenses	Total
<b>Cost:</b>			
<b>As at 1 January 2017</b>	<b>28,897</b>	<b>588</b>	<b>29,485</b>
Additions	1,575	4,775	6,350
Transfers	95,968	-	95,968
Disposals	-	-	-
<b>As at 31 December 2017</b>	<b>126,440</b>	<b>5,363</b>	<b>131,803</b>
<b>As at 1 January 2018</b>			
Additions	14,653	2,932	17,585
Transfers	-	-	-
Disposals	-	-	-
<b>As at 31 December 2018</b>	<b>141,093</b>	<b>8,295</b>	<b>149,388</b>
<b>Accumulated Amortization:</b>			
<b>As at 1 January 2017</b>	<b>21,711</b>	<b>-</b>	<b>21,711</b>
Amortization charge for the year	4,815	91	4,906
<b>As at 31 December 2017</b>	<b>26,526</b>	<b>91</b>	<b>26,617</b>
Amortization charge for the year	20,986	709	21,695
<b>As at 31 December 2018</b>	<b>47,512</b>	<b>800</b>	<b>48,312</b>
<b>Net book value:</b>			
<b>At 31 December 2017</b>	<b>99,914</b>	<b>5,272</b>	<b>105,186</b>
<b>At 31 December 2018</b>	<b>93,581</b>	<b>7,495</b>	<b>101,076</b>

No intangible assets have been pledged as collateral as at 31 December 2018 (2017: none).

**18. INVESTMENTS IN SUBSIDIARY**

	31 December 2018	31 December 2017
ALBA CEMENTO SH.P. K	756,766	756,766
Impairment of investment in subsidiary	(526,180)	(526,180)
CEMENTI ANTEA SRL	599,345	599,345
<b>Total</b>	<b>829,931</b>	<b>829,931</b>

ALBA CEMENTO shpk is a fully owned subsidiary of the Company. ALBA CEMENTO Sh.p.k owns and operates a cement terminal in Tirana, providing logistical services to Antea.

CEMENTI ANTEA SRL – Italy is a fully owned subsidiary of the Company. Its main activity is trading the company's cement through a rented terminal in Ortona, Italy.

## ANTEA CEMENT SH.A.

### NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

#### 19. INVENTORIES

The inventories in the statement of financial position are analyzed as follows:

	31 December 2018	31 December 2017
Raw materials	370,360	643,846
Spare parts	847,734	873,691
Packing materials	76,306	121,056
Semi-finished goods	111,010	160,393
Finished goods	77,867	83,622
Goods for resale	17,610	1,120
Other materials	114,124	131,996
Provision for inventories	-	-
<b>Total</b>	<b>1,615,011</b>	<b>2,015,724</b>

#### 20. TRADE RECEIVABLES

Trade receivables in the statement of financial position are analyzed as follows:

	31 December 2018	31 December 2017
Trade receivables	746,701	874,448
Less: Allowance for doubtful receivables	(574,434)	(574,434)
<b>Trade Receivables Net</b>	<b>172,267</b>	<b>300,014</b>

Trade receivables are non-interest bearing and are generally on 30-120- credit terms.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables provisioning matrix.

Movements in the allowance for doubtful receivables are illustrated below. The new model has not impacted the provision for impairment of the Company as the provisioning matrix was not substantially different:

	31 December 2018	31 December 2017
Balance at 1 January	574,434	574,434
<b>Balance as at 31 December</b>	<b>574,434</b>	<b>574,434</b>



**ANTEA CEMENT SH.A.****NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousand unless otherwise stated)***20. TRADE RECEIVABLES (CONTINUED)**

The credit loss allowance for trade receivables is determined according to provision matrix presented in the table below.

<i>In % of gross value</i>	<b>Loss rate</b>	<b>Gross carrying amount</b>	<b>Lifetime ECL</b>
Trade receivables			
- current	6.13%	32,758	(2,007)
- less than 30 days overdue	1.00%	88,191	(882)
- 31 to 60 days overdue	1.69%	7,568	(128)
- 61 to 90 days overdue	6.74%	1,470	(99)
- 91 to 180 days overdue	7.57%	2,245	(170)
- 181 to 360 days overdue	62.29%	4,393	(2,736)
- over 360 days overdue	93.17%	610,076	(568,412)
<b>Total trade receivables (gross carrying amount)</b>		<b>746,701</b>	
Credit loss allowance			(574,434)
<b>Total trade receivables from contracts with customers (carrying amount)</b>			<b>172,267</b>

As at 31 December 2018 and 31 December 2017, the aging analysis of trade receivables is analyzed as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Current	32,758	68,842
less than 30 days overdue	88,191	51,213
from 31 to 60 days overdue	7,568	7,262
from 61 to 90 days overdue	1,470	1,850
from 91 to 180 days overdue	2,245	3,534
from 181 to 360 days overdue	4,393	26,408
over 360 days overdue	610,076	715,339
<b>Trade receivables before allowances on doubtful receivables</b>	<b>746,701</b>	<b>874,448</b>
Allowance for doubtful receivables	(574,434)	(574,434)
<b>Net trade receivables</b>	<b>172,267</b>	<b>300,014</b>

**ANTEA CEMENT SH.A.****NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousand unless otherwise stated)***21. OTHER RECEIVABLES**

Other receivables in the statement of financial position are analyzed as follows:

	31 December 2018	31 December 2017
VAT receivables	49,570	72,995
Sundry debtors	17,215	16,098
Prepayments for supplies	4,975	1,295
Deferred expenses	26,119	49,748
Other taxes receivable	12,966	13
<b>Total</b>	<b>110,845</b>	<b>140,149</b>

Deferred expenses represent consumables and/or prepaid expenses, which are deferred for a period of time and are expensed based on their respective consumption rate.

**22. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise the following:

	31 December 2018	31 December 2017
Cash on hand in domestic currency	103	58
Cash on hand in foreign currency	405	418
Cash at bank in domestic currency	72,918	74,481
Cash at bank in foreign currency	637,406	527,721
<b>Total</b>	<b>710,832</b>	<b>602,678</b>

**23. SHARE CAPITAL**

<i>Authorized, issued and fully paid</i>	31 December 2018			31 December 2017		
	<i>Number of shares</i>	<i>% Holding</i>	<i>Face Value in ALL' 000</i>	<i>Number of shares</i>	<i>% Holding</i>	<i>Face Value in ALL' 000</i>
ALVACIM Ltd – ordinary shares of ALL 2,000 each	4,274,604	80%	8,549,208	4,274,604	80%	8,549,208
IFC-ordinary shares of ALL 2,000 each	1,068,651	20%	2,137,302	1,068,651	20%	2,137,302
<b>Total</b>	<b>5,343,255</b>	<b>100%</b>	<b>10,686,510</b>	<b>5,343,255</b>	<b>100%</b>	<b>10,686,510</b>



## **ANTEA CEMENT SH.A.**

### **NOTES TO THE FINANCIAL STATEMENTS**

*(Amounts in ALL thousand unless otherwise stated)*

#### **24. BORROWINGS**

##### **A) LONG - TERM BORROWINGS**

The Company long - term loans as at 31 December 2018 and 31 December 2017 are as follows:

	<b>31 December 2018</b>	<b>31 December 2017</b>
Alvacim Ltd (Note 27)	9,180,325	9,726,875
IFC (Note 27)	2,331,580	2,431,821
Societe General Bank	-	289,702
Banka Kombetare Tregetare	281,250	656,250
Raiffeisen Bank	-	330,548
Alpha Bank	370,998	458,292
Deferred disbursement fee	-	(6,822)
<b>Total</b>	<b>12,164,153</b>	<b>13,886,666</b>

The carrying amounts of borrowings approximate their fair values since all borrowings are priced at market rates. More detailed information on the borrowings from related parties / shareholders are disclosed in note 27.

Further information on the Company's long-term loans is as follows:

##### **SOCIETE GENERAL**

During 2018 the Company has repaid to Societe General Bank the amount of ALL 280,876 thousand. (2017: ALL 274,695 thousand)

On 31 July 2015 the Company agreed with Societe General to extend the maturity of the Term Loan until 2019, as well as increase the amount of the facility with an additional amount of ALL 644,236 thousand which was utilized in 2015. The loan bears interest of Tbill + a Margin. The loan is secured against corporate guarantee from Titan Cement S.A.

The outstanding principal and accrued interest as at 31 December 2018 were ALL 294,625 thousand composed of ALL 294,625 thousand as short-term portion (31 December 2017: ALL 587,272 thousand composed of ALL 289,702 thousand as long-term and ALL 297,570 thousand as short-term portion).

##### **BANKA KOMBETARE TREGETARE**

During 2018 the Company has repaid to BKT the amount of ALL 375,000 thousand (2017: ALL 375,000 thousand).

The outstanding principal and accrued interest as at 31 December 2018 are ALL 662,750 thousand composed of ALL 281,250 thousand as long term and ALL 381,500 thousand as short term, (31 December 2017: ALL 1,041,563 thousand composed of ALL 656,250 thousand as long term and ALL 385,313 thousand as short term).

On 31 July 2015 the Company agreed with BKT to extend the maturity of the Term Loan until 2020. The loan bears interest of Tbills + a Margin. The loan is secured against corporate guarantee from Titan Cement S.A.

## ANTEA CEMENT SH.A.

### NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

#### 24. BORROWINGS (CONTINUED)

##### A) LONG - TERM BORROWINGS (CONTINUED)

###### RAIFFEISEN BANK ALBANIA

During 2018 the Company repaid to Raiffeisen Bank the amount of ALL 440,730 thousand, (2017, ALL 440,730 thousand)

On 06 October 2015 the Company agreed with Raiffeisen Bank to extend the maturity of the Term Loan until 2019. The loan bears interest of Tbilis + a Margin. The loan is secured against corporate guarantee from Titan Cement S.A.

The outstanding principal and accrued interest as at 31 December 2018 is ALL 330,548 thousand composed of ALL 330,548 thousand as short term (31 December 2017: ALL 771,278 thousand composed of ALL 330,548 thousand as long term and ALL 440,730 thousand as short term).

On 31 January 2018 the Company signed a one-year revolving credit facility agreement with Raiffeisen Bank Albania sha for the amount of ALL 276,000 thousand. The facility is secured against Corporate Guarantee from Titan Cement SA. The amount of loan facility utilized as at 31 December 2018 is ALL 97,375 thousand.

###### ALPHA BANK ALBANIA

On 07 October 2014 the Company concluded a 5-year term loan borrowing facility with Alpha Bank Albania for ALL 698,350 thousand. The loan was fully drawn down on March 2015. The loan bears interest of Tbilis + a Margin. The loan is secured against Corporate Guarantee from Titan Cement SA.

During 2018 the Company repaid to Alpha Bank the amount of ALL 87,294 thousand, (2017: ALL 87,294 thousand).

The outstanding principal and accrued interest as at 31 December 2018 is ALL 458,704 thousand composed of ALL 370,998 thousand as long term and ALL 87,706 thousand as short term (31 December 2017: ALL 547,247 thousand composed of ALL 458,292 thousand as long term and ALL 88,955 thousand as short term).

On 7 October 2014 the Company concluded a one-year revolving loan facility with Alpha Bank Albania for ALL 558,680 thousand. On 7 October 2017 and 07 October 2018 respectively, the facility was renewed for the respective annual periods. The loan bears interest of Tbilis + a Margin. The loan is secured against Corporate Guarantee from Titan Cement SA.

The amount of loan facility and accrued interest outstanding on 31 December 2018 is 244,499 (31 December 2017: loan facility and accrued interest is 220,570).

The maturities of the long-term loans are as follows:

	31 December 2018	31 December 2017
After one year but not more than two years	652,248	1,053,899
After two year but not more than five years	11,511,905	674,071
More than five years	-	12,158,696
<b>Total</b>	<b>12,164,153</b>	<b>13,886,666</b>



**ANTEA CEMENT SH.A.****NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousand unless otherwise stated)***24. BORROWINGS (CONTINUED)****B) SHORT - TERM BORROWINGS**

Short-term borrowings and short-term portions of long-term borrowings are disclosed as follows.

	31 December 2018	31 December 2017
<i><u>Borrowings from shareholders</u></i>		
Alvacim Accrued Interest (Note 27)	33,783	35,502
IFC Accrued Interest (Note 27)	8,451	8,876
<i><u>Subtotal</u></i>	<i><u>42,234</u></i>	<i><u>44,378</u></i>
<i><u>Borrowings from Financial Institutions</u></i>		
Societe General Bank	294,625	297,570
Banka Kombetare Tregtare	381,500	385,313
Raiffeisen Bank	330,548	440,730
Raiffeisen Bank Revolving Loan	97,375	-
Alpha Bank Term Loan	87,706	88,955
Alpha Bank Revolving Loan	244,499	220,570
Deferred disbursement fee	(6,822)	(9,956)
<i><u>Subtotal</u></i>	<i><u>1,429,431</u></i>	<i><u>1,423,182</u></i>
<b>Total</b>	<b>1,471,665</b>	<b>1,467,560</b>

Further information on the borrowings from related parties / shareholders are disclosed in note 27.

**25. TRADE PAYABLES**

Trade payables are non-interest-bearing liabilities with domestic and foreign suppliers and are normally settled on a period ranging from 30 days to 90 days.

	31 December 2018	31 December 2017
Trade creditors third parties	688,891	527,869
Accruals for supplies	9,836	9,538
<b>Total</b>	<b>698,727</b>	<b>537,407</b>

**26. OTHER PAYABLES**

	31 December 2018	31 December 2017
Client's advance payments	91,976	73,379
Social security	4,570	4,524
Payroll taxes	2,310	2,328
Other taxes	15,376	27,802
Corporate Income Tax Payable	77,671	12,272
Other provisions	16,346	51,628
<b>Total</b>	<b>208,249</b>	<b>171,933</b>

## ANTEA CEMENT SH.A.

### NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

#### 26. OTHER PAYABLES (CONTINUED)

Other provisions relate to provisions for unused days of vacation, additional personnel costs as well as other operational items. The movements in the provisions are shown as follows:

	31 December 2018	31 December 2017
<b>Balance as at 1 January</b>	<b>51,628</b>	<b>10,907</b>
Provision for un-used days of vacations (Note 10)	(2,612)	4,741
Provision for additional personnel costs (Note 10/9)	1,816	1,494
Forestation Provision (Note 10)	(16,140)	16,140
Other Operational Provision (Note 10/9)	(18,346)	18,346
<b>Balance as at 31 December</b>	<b>16,346</b>	<b>51,628</b>

#### 27. RELATED PARTY TRANSACTIONS

The Company is controlled by Alvacim Ltd which is in turn a fully owned subsidiary of Titan Cement S.A. The Company considers as related parties all the group companies that are controlled by Titan Cement S.A.

The following tables provide the total amount of transactions that have been entered into with the related parties for the relevant financial year.

##### A) Sales of goods and services

	Year ended 31 December 2018	Year ended 31 December 2017
TCK Montenegro – (Sales of cement)	780,149	286,530
Cementi Antea srl (Sales of cement)	356,429	325,196
Fintitan – (Sales of Cement)	144,440	902,417
Cementi Crotone – (Sales of Cement)	-	28,127
Sharr Cem- (Sales of Clinker)	88,553	24,663
Sharr Cem- (raw materials, fixed assets)	-	1,425
Alba Cemento Shpk (Sales of Assets)	2,863	-
Cementarnica Usje	3,270	568
Cementara Kosjeric (Sales of Clinker)	489	-
<b>Total</b>	<b>1,376,193</b>	<b>1,568,926</b>

The major transactions are related with Cementi Antea srl and TCK Montenegro for sales of cement, (2017: The major transactions are related with Fintitan, Cementi Antea srl and TCK Montenegro for sales of cement). Outstanding balances arising from the transactions mentioned above are presented below:

##### B) Receivables from related parties

	31 December 2018	31 December 2017
TCK Montenegro	174,123	42,906
Fintitan	-	216,154
Cementi Antea SRL	119,445	110,320
Sharrcem	83,740	22,108
<b>Total</b>	<b>377,308</b>	<b>391,488</b>

The major receivable is due from Fintitan and Cementi Antea srl for cement sold and Sharrcem for Clinker sold.



**ANTEA CEMENT SH.A.****NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousand unless otherwise stated)***27. RELATED PARTY TRANSACTIONS (CONTINUED)****C) Purchases of goods and services**

	Year ended 31 December 2018	Year ended 31 December 2017
Titan Cement S.A. –(Purchase of Goods)	14,415	15,768
Titan Cement S.A. – (Services)	282,922	515,629
Alba Cemento shpk	22,962	24,138
Fintitan	-	334
TCK Montenegro - Goods	38	-
<b>Total</b>	<b>320,337</b>	<b>555,869</b>

The major purchases during the year are from Titan Cement S.A. for various services and goods (2017: Major purchases during the year are from Titan Cement S.A. for various services and goods).

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

**D) Payables to related parties**

	31 December 2018	31 December 2017
Titan Cement S.A.	172,637	140,059
Albacemento shpk	57,781	48,261
Albacem S.A.	-	49,219
<b>Total</b>	<b>230,418</b>	<b>237,539</b>

**E) Loans from related parties/shareholders**Long-term Borrowings

	31 December 2018	31 December 2017
Alvacim Ltd	9,180,325	9,726,875
IFC	2,331,580	2,431,821
<b>Total</b>	<b>11,511,905</b>	<b>12,158,696</b>

During 2008, the Company entered into several loan agreements for a total amount of Euro 84 million (the "Loan") to finance the construction of a green field cement factory in Boka Kuqe Borizane. There are no undrawn loan amounts at 31 December 2018 and 31 December 2017, respectively.

The loan agreements are as follows:

**INTERNATIONAL FINANCE CORPORATION ("IFC")**

The IFC provided a loan amounting to Euro 16.8 million in accordance with the Loan Agreement dated 20 November 2008. The loan bears interest of Euribor + a Margin. Interest payment dates are 15 March and 15 September of each year. The loan is repayable in 12 equal annual instalments on 15 March in each year commencing on the date falling five (5) years after the first disbursement of the loan and after the agreed conditions for repayment have been fulfilled. The lender charged to the Company a front-end fee of 1% of the total loan. The further relations between the Company and the lender are subject to the respective Facility Agreements.

## ANTEA CEMENT SH.A.

### NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

#### 27. RELATED PARTY TRANSACTIONS (CONTINUED)

##### ALVACIM LTD (PARENT)

The parent company provided a loan amounting to Euro 50.4 million in accordance with the Loan Agreement dated 20 November 2008. The loan bears interest of Euribor + a Margin. Interest payment dates are 15 March and 15 September of each year. The loan is repayable in 12 equal annual instalments on 15 March in each year commencing on the date falling five (5) years after the first disbursement of the loan and after the agreed conditions for repayment have been fulfilled. The lender charged to the Company a front-end fee of 1% on the total loan. The further relations between the Company and the lender are subject to the respective Facility Agreements. Following the acquisition of the EBRD's Share in the company, Alvacim Ltd re-financed the shareholder loan provided by EBRD under the same terms and conditions.

During 2018 the company has repaid principal in the amount of Euro 1,180 thousand or the equivalent of ALL 145,601 thousand (2017 the company repaid principal in the amount of Euro 573 thousand or the equivalent of ALL 77,495 thousand).

According to the Loan Facility Agreement on 15<sup>th</sup> of March 2018 and 15th September 2018, the Company deferred the accrued interest on Long term loans from ALVACIM, and IFC amounting to Euro 3,001 thousand or the equivalent of ALL 381,326 thousand. (2017: 15th September, the Company deferred the accrued interest on Long term loans from ALVACIM and IFC amounting to Euro 1,624 thousand or the equivalent of ALL 217,066 thousand, whereas on 15th of March 2017 the amount of Euro 594 thousand or the equivalent of ALL 80,382 thousand was paid to ALVACIM and IFC).

##### Short-term Borrowings

	31 December 2018	31 December 2017
Alvacim accrued interest	33,783	35,502
IFC Accrued interest	8,451	8,876
<b>Total</b>	<b>42,234</b>	<b>44,378</b>

##### Interest Expense

	31 December 2018	31 December 2017
Alvacim interest expense	330,017	245,960
IFC interest expense	76,107	58,664
<b>Total</b>	<b>406,124</b>	<b>304,624</b>

Except for short-term employee benefits to key management personnel amounting to ALL 43,984 thousand (2017: ALL 53,686 thousand), no other compensations to key management were given by the Company.

##### *Nature of relationship with related parties*

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



## ANTEA CEMENT SH.A.

### NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

#### 27. RELATED PARTY TRANSACTIONS (CONTINUED)

##### *Terms and conditions of transactions with related parties*

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the Company has not made any allowance for doubtful debts relating to amounts owed by related parties (2017: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

#### 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise bank loans and short-term loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company's investment and operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations risk management is carried out under policies approved by the management committee.

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

##### **a) Interest risk**

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term debt obligations with a floating interest rate. At 31 December 2018 (31 December 2017: Nil) no interest rate swaps were agreed, which makes 100% of the Company's borrowings to be at a variable rate of interest.

	31 December 2018	31 December 2017
<b>Fixed rate interest</b>		
Financial assets	-	-
Financial liabilities	-	-
<b>Variable rate interest</b>	<b>13,635,818</b>	<b>15,354,226</b>
Financial assets	-	-
Financial liabilities	13,635,818	15,354,226

The Company's Income and operating cash flows are substantially independent of changes on market interest rates, nevertheless the effect that a change in interest rates on the company's Long-Term Debt might have on the Company results is shown as follows:

	31 December 2018		31 December 2017	
	Increase/Decrease in Basis/Point	Effect on Profit Before Tax	Increase/Decrease in Basis/Point	Effect on Profit Before Tax
EUR	20	23,024	20	24,317
ALL	100	6,522	100	17,280
EUR	(20)	(23,024)	(20)	(24,317)
ALL	(100)	(6,522)	(100)	(17,280)

**ANTEA CEMENT SH.A.****NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousand unless otherwise stated)***28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****b) Foreign exchange risk**

The Company enters into transactions denominated in foreign currencies related to the sales of its products and purchase of fixed assets and purchases of trade goods from related parties. The Company does not use any financial instrument to hedge against these risks, since no such instruments are in common use in the Republic of Albania. Therefore, the Company is potentially exposed to market risk related to possible foreign currency fluctuations.

<i>In thousands ALL</i>	<b>Monetary financial assets</b>	<b>Monetary financial liabilities</b>	<b>Net balance sheet position</b>
Albanian Lek	183,867	(2,679,662)	(2,495,795)
Euro	1,037,063	(12,088,786)	(11,051,723)
USD	150,324	(4,765)	145,559
<b>Total 2018</b>	<b>1,371,254</b>	<b>(14,773,213)</b>	<b>(13,401,959)</b>

<i>In thousands of ALL</i>	<b>Monetary financial assets</b>	<b>Monetary financial liabilities</b>	<b>Net balance sheet position</b>
Albanian Lek	214,651	(3,600,894)	(3,386,243)
Euro	1,182,235	(12,687,290)	(11,505,055)
USD	37,443	(12,920)	24,523
<b>Total 2017</b>	<b>1,434,329</b>	<b>(16,301,104)</b>	<b>(14,866,775)</b>

The following significant exchange rates applied during the year:

	<b>Average rate</b>		<b>Reporting date spot rate</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>EUR/ALL</b>	127.36	134.13	123.42	132.95

The company's main exposure is toward the Euro as such a change of +/- 5% in exchange rate of Euro to ALL at the reporting date would have increased/(decreased) equity and profit /(loss) by ALL 552,586 thousand (2017 – ALL 575,253 thousand).

**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 summarizes the maturity profile of the Company's financial liabilities at 31 December 2018 and 2017, based on contractual undiscounted payments.

**Year ended 31 December 2018**

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to 12 months</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
Long-term borrowings	-	-	-	12,388,960	-	12,388,960
Short-term borrowings	-	522,797	1,099,058	-	-	1,621,855
Trade and other payables	-	906,976	230,418	-	-	1,137,394



**ANTEA CEMENT SH.A.****NOTES TO THE FINANCIAL STATEMENTS***(Amounts in ALL thousand unless otherwise stated)***28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****c) Liquidity risk (continued)**

Year ended 31 December 2017

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long-term borrowings	-	-	-	2,546,094	12,304,958	<b>14,851,052</b>
Short-term borrowings	-	398,011	1,257,151	-	-	<b>1,655,162</b>
Trade and other payables	-	709,340	237,539	-	-	<b>946,879</b>

**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. Recognizable 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 and short-term borrowing receivables, 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.

	31 December 2018	31 December 2017
Trade and other receivables (Note 20, 21)	283,112	440,163
Cash and cash equivalents (Note 22)	710,832	602,678
<b>Total</b>	<b>993,944</b>	<b>1,042,841</b>

## ANTEA CEMENT SH.A.

### NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

#### 29. FAIR VALUES

The fair values of current assets and current liabilities approximate their carrying value due to their short-term nature. The fair value of non-current interest-bearing loans and borrowings also approximate their carrying value due to variable interest rate on the loans.

Set out as a comparison by class of the carrying amounts and fair value of the Company's financial instruments that are carried in the financial statements.

Financial assets	Carrying amount		Fair Value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Cash and Banks	710,832	602,678	710,832	602,678
Trade receivables	172,267	300,014	172,267	300,014
Related Parties	377,308	391,488	377,308	391,488
Other receivables	110,845	140,149	110,845	140,149
<b>Total</b>	<b>1,371,252</b>	<b>1,434,329</b>	<b>1,371,252</b>	<b>1,434,329</b>

Financial Liabilities	Carrying amount		Fair Value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Trade accounts payable	698,727	537,407	698,727	537,407
Related parties	230,418	237,539	230,418	237,539
Bank loan/short-term loans	1,471,665	1,467,560	1,471,665	1,467,560
Other payables	208,249	171,933	208,249	171,933
Long-term debts	12,164,153	13,886,666	12,164,153	13,886,666
<b>Total</b>	<b>14,773,212</b>	<b>16,301,105</b>	<b>14,773,212</b>	<b>16,301,105</b>

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2018, the carrying amounts of such receivables / borrowings, net of allowances, are not materially different from their calculated fair values.

#### Fair Value Hierarchy

Management has estimated that the fair value of the Company financial assets and liabilities approximates its carrying value and no valuation techniques are applied in order to determine the fair value of Company's financial instruments. Such estimates would fall under Level 3 hierarchy since there are no significant observable inputs involved.



## ANTEA CEMENT SH.A.

### NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousand unless otherwise stated)

#### 30. 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 issue new shares, following shareholders' approval.

No changes were made in the objectives, policies or processes during the year ended 31 December 2017 and the current year 2018.

The Company monitors its economic performance using profit before interest, taxes, depreciation, amortization and impairment (EBITDA). EBITDA for the years ending 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Operating profit before interest, taxes and impairment	377,883	822,336
Depreciation and amortization expense	866,187	822,868
<b>EBITDA</b>	<b>1,244,070</b>	<b>1,645,204</b>

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

#### 31. COMMITMENTS AND CONTINGENCIES

##### A) COMMITMENTS

	31 December 2018	31 December 2017
No later than 1 year	57,203	38,818
Later than 1 but no later than 5 years	87,468	32,854
More than 5 years	61,274	57,434
<b>Total</b>	<b>205,945</b>	<b>129,106</b>

Commitments relate to operational leases for vehicles, terminals and plots of lands used by the Company in course of its business.

As of 31 December 2011, the Company is committed to an operational lease contract which grants to the Company land use rights against an annual rent amounting to Euro 24 thousand. The Company may terminate the contract at any time if the land will not be used. The rent period is for 30 years.

##### B) TAXATION

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognized based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

## **ANTEA CEMENT SH.A.**

### **NOTES TO THE FINANCIAL STATEMENTS**

*(Amounts in ALL thousand unless otherwise stated)*

#### **31. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

##### **C) LITIGATIONS**

The company is involved in different litigations in course of its business activities. The material litigations the company is involved is as follows:

At 31 December 2018, the Company was involved in litigation proceedings as a defendant with a third-party raising claim in relation to the costs of an entry road utilized by the Company, constructed in 2010. The case was lodged in front of the District Court of Kruja which ruled to partially accept the claim. The total amount of liabilities to be paid by the Company amounted to ALL 68,000 thousand. The company appealed the decision in front of the Tirana Appeal Court which during 2017 dismissed the Judgement of the Kruja District Court and ruled for a new trial in the Kruja District Court. Against this judgement the Company filed an appeal to Supreme Court. Based on its own estimates and both external legal advice, management is of the opinion that no material losses will be incurred in respect of this claim and accordingly no provision has been booked in these financial statements.

#### **32. EVENTS AFTER THE REPORTING PERIOD**

No events after the reporting period have been identified that would need either adjustment or disclosure in these financial statements.