

SharrCem Sh.p.k.

International Financial Reporting Standards
Separate Financial Statements and

INDEPENDENT AUDITOR'S REPORT

31 December 2018

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Independent Auditor's Report

To the Shareholder and Board of Directors of Sharrcem sh.p.k.

Our opinion

In our opinion, the separate financial statements ("financial statements") present fairly, in all material respects, the financial position of Sharrcem sh.p.k. (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

Sharrcem sh.p.k.'s financial statements of the company standing alone comprise:

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

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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 Kosovo sh.p.k.
PricewaterhouseCoopers Kosovo sh.p.k.

15 February 2019

Prishtina, Kosovo

Jonid Lamllari

Statutory Auditor

SharrCem sh.p.k.
Separate financial statements

(All amounts expressed in EUR unless otherwise stated)

Separate statement of profit or loss and other comprehensive income

	Note	2018	2017
Revenue	6	39,296,663	39,508,745
Cost of sales	7	(34,922,154)	(35,472,434)
Gross profit		4,374,509	4,036,311
Other operating income	8	122,174	58,385
Administrative expenses	9	(3,038,859)	(2,898,703)
Selling expenses	10	(398,588)	(426,993)
Other operating expenses	11	(777,373)	(1,140,623)
Operating profit/(loss)		281,863	(371,623)
Finance income	12	469,130	324,125
Finance costs	12	(516,261)	(612,243)
Net finance costs		(47,131)	(288,118)
Profit/(loss) before tax		234,732	(659,741)
Income tax expense	13	(69,845)	(95,212)
Profit/(loss) for the year		164,887	(754,953)
Other comprehensive income		-	-
Total comprehensive income/ (loss) for the year		164,887	(754,953)

The notes on pages 5 to 39 are an integral part of these separate financial statements

SharrCem sh.p.k.**Separate financial statements****(All amounts expressed in EUR unless otherwise stated)****Separate statement of financial position**

	Note	31 December 2018	31 December 2017
Assets			
Property, plant and equipment	14	37,803,155	39,673,738
Intangible assets	14	428,813	251,064
Investments in subsidiaries	15	8,161,000	8,041,000
Total non-current assets		46,392,968	47,965,802
Inventories	16	5,056,152	5,660,235
Trade and other receivables	17	938,188	1,397,240
Advances given and prepayments	18	1,113,616	999,323
Cash and cash equivalents	19	572,165	1,317,451
Total current assets		7,680,121	9,374,249
Total assets		54,073,089	57,340,051
Equity			
Share capital	20	6,201,001	6,201,001
Retained earnings		34,956,622	34,791,735
Total equity		41,157,623	40,992,736
Liabilities			
Long-term borrowings	24	-	5,437,500
Deferred income tax liabilities	13	684,444	614,599
Employees' termination benefits	22	705,395	952,976
Total non-current liabilities		1,389,839	7,005,075
Short-term borrowings	24	-	1,079,373
Trade and other payables	21	8,050,392	7,148,195
Employees' termination benefits, current portion	22	613,278	409,540
Customer prepayments		392,478	486,611
Provisions	23	2,272,811	218,521
Total current liabilities		11,525,627	9,342,240
Total liabilities		12,915,466	16,347,315
Total equity and liabilities		54,073,089	57,340,051

These separate financial statements and the notes set out on pages 5 to 39 were authorized for issue on 12 February 2019 by:

Glavas Thomas

Managing Director

Alexandros Tsomplektzoglou

Finance Manager

Xhemail Dernjani

Head of Finance

The notes on pages 5 to 39 are an integral part of these separate financial statements

Separate statement of changes in equity

	Share Capital	Retained Earnings	Total
Balance at 1 January 2017	6,201,001	35,546,687	41,747,688
Loss for the year		(754,952)	(754,952)
Other comprehensive income for the year	-	-	-
Total comprehensive loss for the year	-	(754,952)	(754,952)
Balance at 31 December 2017	6,201,001	34,791,735	40,992,736
Balance at 1 January 2018	6,201,001	34,791,735	40,992,736
Profit for the year		164,887	164,887
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	164,887	164,887
Balance at 31 December 2018	6,201,001	34,956,622	41,157,623

SharrCem sh.p.k.**Separate financial statements****(All amounts expressed in EUR unless otherwise stated)****Separate statement of cash flows**

	Note	2018	2017
Cash flows from operating activities			
Profit/(loss) before tax		234,732	(659,741)
<i>Adjustments for:</i>			
Depreciation and amortization	14	5,450,686	4,688,080
Loss/(gains) from sales of property plant and equipment	11	11,467	(19,322)
Interest accretion on quarry rehabilitation provision	11	81,278	-
Finance expenses	12	434,983	612,243
Finance income		(469,130)	(324,125)
		5,744,016	4,297,135
Decrease in inventories		604,083	647,765
Decrease in trade and other receivables		459,051	317,884
(Increase)/ decrease in advances given and prepayments		(114,293)	631,667
Decrease in current tax asset		-	93,600
Increase in trade and other payables		902,197	1,341,118
Decrease in employees' termination benefits		(43,844)	(1,232,382)
(Increase)/Decrease in customer prepayments		(94,132)	213,611
Rehabilitation provision for quarry utilized		(37,998)	-
Cash generated from operating activities		7,419,080	6,310,398
Interest paid		(451,846)	(614,876)
Income tax paid		-	(7,410)
Net cash from operating activities		6,967,234	5,688,112
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibles	14	(1,731,490)	(3,986,974)
Proceeds from sale property, plant and equipment		169,850	21,962
Investment in subsidiaries	15	(120,000)	-
Net cash used in investing activities		(1,681,640)	(3,965,012)
Cash flows from financing activities			
Finance Income		469,130	324,125
Repayment of borrowings		(6,500,010)	(999,990)
Net cash used in financing activities		(6,030,880)	(675,865)
Net increase/ (decrease) in cash and cash equivalents		(745,286)	1,047,235
Cash and cash equivalents at 1 January		1,317,451	270,216
Cash and cash equivalents at 31 December	18	572,165	1,317,451

The notes on pages 5 to 39 are an integral part of these separate financial statements

Sharrcem Sh.p.k.
Notes to the separate financial statements

1. Sharrcem sh.p.k and its Operations

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2018.

The Company is a limited liability company registered in the Republic of Kosovo with business registration number 70708396. The Company is 100 % owned by Sharr Beteiligungs GmbH. ("the parent company"), which is fully owned by Titan Cement Company S.A. (Ultimate Parent). The Company's parent company is registered in Hamburg, Germany.

Sharrcem sh.p.k. was established as part of the privatization process of the Sharr Cement Plant, Socially Owned Enterprise ("SharrSOE"). Sharr SOE was previously operating under operating lease agreement signed between SharrBeteiligungs GmbH, Hamburg ("the Parent") through its Branch in Kosovo ("the Branch") and the United Nations Interim Administration in Kosovo ("UNMIK"). To facilitate the privatization process, the Privatization Agency of Kosovo ("PAK") incorporated a new legal entity "New Company" with share capital of EUR 1,000. PAK has honored the Lease agreement by exercising the option of the Parent to acquire the Sharr SOE assets at a fair market price.

The negotiations were closed on 9 December 2010 by signing the share purchase agreement ("SPA") between the PAK and the Parent. On this date the operating lease agreement between PAK and the Parent was terminated; the New Company issued one additional share of EUR 1 to PAK in exchange for the assets from Sharr SOE; and transferred of 100% interest in New Company to the Parent as buyer of the New Company. The New Company was renamed to SharrCemSH.P.K.

As of 12 May 2011 the Company management has required from Kosovo Tax Authorities ("KTA") approval of the proposed reorganization plan of the Company and the Branch. As stated in the request based on the Shareholder Resolution of the Parent the management intends to carry out a complete transfer of all business activities from the Branch to the Company as of 1 June 2011. Under the process of reorganization of the business, the Branch will transfer all account balances to the Company, including but not limited, to retained earnings, receivables, payables, etc.

Regarding the fact that the Branch has a claim towards the Independent Commission for Mines and Minerals ("ICMM") and therefore it cannot be closed totally from a legal point of view, it will continue to exist as dormant. As of 30 May 2011 the KTA approved the reorganization plan and as of 1 June 2011 all the assets and liabilities and the business were transferred from the Branch to the Company. Prior to this, the Company did not have any business activities.

Principal activity. The Company's principal business activity is production and trade of cement. The Company's manufacturing facilities are primarily based in Republic of Kosovo.

Registered address and place of business. The Company's registered address and principal place of business is Adem Jashari 71510 Hani I Elezit, the Republic of Kosovo.

Presentation currency. These separate financial statements are presented in Euro ("EUR"), unless otherwise stated.

2. Significant accounting policies

Basis of preparation. These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention. The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 4 for new and amended standards adopted by the Company).

2. Significant accounting policies (Continued)

The preparation of separate 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 stand alone financial statements are disclosed in Note 3.

The Company uses the exemption of IFRS 10 paragraph 4(a) and does not prepare its consolidated financial statements. The parent company that prepares the consolidated financial statements in accordance with IFRS is Titan Cement Company S.A., its principal place of business is Athens, Greece. These consolidated financial statements can be obtained from <http://www.titan.gr>. The Company has three subsidiaries, Cement Plus for Building Materials LLC, Rudmak Pcm Dooel and Millco Dooel. See Note 15 for further details on these subsidiaries. Financial statements are prepared and issued by management as required by law and IFRS.

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 primary currency of the Republic of Kosovo (EUR). These financial statements are presented in Euro ("EUR"), which is the Company's presentation currency.

Transaction and balances. Foreign currency transactions are transactions undertaken by the Company other than in its functional currency. Foreign currency transactions are translated into the functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Euro at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transactions.

Financial instruments - key measurement terms.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

2. Significant accounting policies (Continued)

Financial instruments - key measurement terms (continued)

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition. Financial instruments at fair value through profit and 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 ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI (if any), resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: Fair Value through Profit and Loss ("FVTPL"), Fair Value through Other Comprehensive Income ("FVOCI") and Amortised Cost ("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.

Financial assets – 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, 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.

2. Significant accounting policies (Continued)

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 entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL.

The Company assesses credit loss allowance for expected credit losses resulting from the inability of customers to make required payments. The Company applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of time and the corresponding historical credit losses experienced within this period.

The Company applies the simplified approach to all trade receivables and contract assets in accordance with IFRS 15 that do not contain a significant financing component unless there was already objective evidence of impairment at initial recognition.

The financial assets and other risk exposures subject to simplified approach do not have to be monitored for changes in credit risk over time i.e. they are not transferred between stages 1 and 2 as in the case of general approach.

Instead, the loss allowance for these risk exposures is always recognised at the reporting date in the amount of present value of the losses expected over the remaining life (LT ECL).

If there is objective evidence of impairment the financial assets are transferred to Stage 3 as in the case of general approach and are assessed individually. As of that date, the interest revenue is calculated on the basis of the net carrying amount. In case of a decrease in credit risk under the simplified approach, the recognition of interest revenue is re-changed to a gross carrying amount basis.

Financial assets – 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.

Financial assets - derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. In cases where the Company renegotiates or otherwise modifies the contractual terms of the financial assets the Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

2. Significant accounting policies (Continued)

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a significant increase in credit risk (SICR) has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss. No modifications of financial assets have been made during the year.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at amortised cost, 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 recognised 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.

All financial liabilities of the Company are measured at amortised cost.

Financial liabilities – derecognition. Financial liabilities are derecognised 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 recognised 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 amortised 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 recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Financial liabilities designated at FVTPL. The Company may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss. The Company had no financial liabilities designated at FVTPL at the year end.

2. Significant accounting policies (Continued)

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability 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.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, 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 AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

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

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

Financial guarantees. Financial guarantees require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the consolidated statement of financial position as an asset.

Intangible assets. Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite, as follows:

- Computer software up to 5 years

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expense on intangible asset with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is de-recognized.

2. Significant accounting policies (Continued)

Property, plant and equipment. Property, plant and equipment are stated as follows:

- Those assets acquired at 9 December 2010, the date of purchase of the Company's shares as part of the privatization process (see Note 1), were recognized at fair value with corresponding increase in equity (retained earnings). This has been done in accordance with the exceptions allowed by IFRS 1 *First-Time adoption of International Financial Reporting Standards*.
- Those assets acquired after 9 December 2010 are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, except for land (excluding quarries), which is shown at cost less impairment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other cost directly attributable to bring the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income/other expenses in income statement.

Subsequent costs are included in the asset's carrying amount or recognised 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 capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

Land on which the quarries are located is depreciated on a depletion basis. The depletion is recorded as the material extraction process advances based on the unite-of-production method. Other land is not depreciated. Depreciation rates based on the estimated useful lives for the current and comparative periods are as follows:

- Buildings up to 20 years
- Quarries based on unit of production method
- Machinery & Equipment up to 15 years
- Office equipment, vehicles and furniture up to 5 years

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

2. Significant accounting policies (Continued)

Impairment of non-financial assets. Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised 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) are reviewed for possible reversal at each reporting date.

Inventories. Inventories are valued at the lower of cost and net realizable value. The cost of inventories is based on a weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

Investment in subsidiaries. Investments in subsidiaries are measured at cost less any impairment loss. The transaction costs are expensed. The transaction costs are the costs directly attributable to the acquisition of the investment such as professional fees 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 derecognised on disposal. The difference between the fair value of the sale proceeds and the disposed share of the carrying amount of the investment is recognised in profit or loss as gain or loss on disposal. The same applies if the disposal results in a step down from subsidiary to joint venture or an associate measured at cost.

Advances given and prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognized in profit or loss for the year.

Employee benefits. Employee benefits are made up and treated as follows:

Defined contribution plans. The Company contributes to its employees' post retirement plans as prescribed by the national legislation. Contributions, based on salaries, are made to the national organizations responsible for the payment of pensions. There is no additional liability in respect of these plans. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

2. Significant accounting policies (Continued)

Short-term benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Employees' termination benefits. Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. At initial recognition and subsequent re-measurement, termination benefits are measured in accordance with the nature of the employee benefit i.e.:

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

Provisions. A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The Company uses the WACC of 7.6% (2017: 6.7%) as a discount rate. The unwinding of the discount is recognized as finance cost. The provisions comprise of provision for site restoration. Provisions are not recognized for future operating losses. In accordance with applicable legal requirements, a provision for site restoration in respect of exploitation of land, and the related expense, is recognized when the land is explored below the specified quota.

Customer Prepayments. The Company offers discounts to its customers based on the volume of sales. The Company recognizes discounts and customer prepayments at the time when customers are eligible for discounts based on their contracts with the Company.

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.

Revenue recognition. Revenue is income arising in the course of the Company's ordinary activities. Revenue is recognised in the amount of transaction price. 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.

Revenue is recognised net of discounts, returns and value added taxes, export duties, excise tax, other similar mandatory payments.

Sales of goods. Sales are recognised 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.

2. Significant accounting policies (Continued)

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.

Revenue from the sales with discounts is recognised 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 recognised 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 recognised 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 mostly 30 days, which is consistent with market practice.

A receivable is recognised 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 recognised over the time of the service rendering.

Sales of services. The Group provides services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised 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. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Where the contracts include multiple performance obligations, the transaction price is allocated to each separate performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

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 recognised. If the payments exceed the services rendered, a contract liability is recognised. If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such consideration.

Income taxes. Current income tax is calculated based on the income tax regulations applicable in Kosovo, using tax rates enacted at the reporting date. Effective from 1 January 2010 the tax rate on corporate income is set at 10% in accordance with Kosovo tax regulations currently into force, Law no. 05/L-029 "On Corporate Income Tax".

The income tax charge in profit or loss for the year comprises current tax and changes in deferred tax. Current tax is calculated on the basis of the expected taxable profit for the year using the tax rates in force at the balance sheet date. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Taxes other than income taxes are recorded within operating expenses.

2. Significant accounting policies (Continued)

Deferred income tax is accounted for using the balance sheet liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where there is an intention to settle the balances on a net basis.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Value added tax ('VAT'). 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 recognised 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 impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Restoration costs. The Company is generally required to restore quarries and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the Company's environmental policies. Provisions for environmental restoration are recognized when the Company has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Estimating the future costs of these obligations is complex and requires management to make estimates and judgments because most of the obligations will be fulfilled in the future and contracts and laws are often not clear regarding what is required. Furthermore, the resulting provisions are further influenced by the changing technologies and, environmental, safety, business, political and statutory considerations. Were the estimated discount rate differ by 10% from management's estimates, the impact on provision for restauration cost for the year ended 31 December 2018 would be to increase it by EUR 74,760 or decrease it by EUR 77,631 thousand.

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

Useful lives of property plant and equipment, and intangible assets. The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) the expected usage of the assets; (b) the expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) the technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2018 would be to increase it by Eur 545,068 or decrease it by Eur 545,068 thousand (2017: increase by Eur 468,808 or decrease by Eur 468,808).

Quarry Reserves. The Company reviews its Quarry reserves at each reporting date to assess the quantity of reserves which impact the calculation of the cost per ton and depletion charges. In particular, judgment by management is required in the estimation of the amount of quantity of reserves. Such estimates are based on assumptions about a number of factors and actual results may differ from estimated amount of reserves.

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

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of time and the corresponding historical credit losses experienced within this period.

Contingent liabilities. The existence of contingent liabilities requires from management making assumptions and estimates continuously related to the possibility that future events may or may not occur as well as the effects that those events may have on the activities of the Company.

4. Adoption of New or Revised Standards and Interpretations

Adoption of IFRS 9 "Financial Instruments". The Company adopted IFRS 9, Financial Instruments, from 1 January 2018. The Company elected not to restate comparative figures but to recognise any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Based on the analysis of the company's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances that exist at that date, the management of the Company has not identified any significant impact on its financial statements from the adoption of the new standard on 1 January 2018. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year. The significant new accounting policies applied in the current period are described in Note 2. Accounting policies applied prior to 1 January 2018 and applicable to the comparative information are disclosed in Note 32.

All classes of financial assets 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 financial asset balances were insignificant.

4. Adoption of New or Revised Standards (continued)

Reconciliation of provision for impairment at 31 December 2017 and credit loss allowance at 1 January 2018. 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:

	Provision under IAS 39 or IAS 37 at 31 Dec 2017	Reclassi- fication to FVTPL	Reclassi- fication to FVOCI	Effect Remeasu- rement from incurred to expected loss	Credit loss allowance under IFRS 9 at 1 January 2018
<i>In euro</i>					
<i>Loans and receivables measurement category</i>					
Cash and cash equivalents	-	-	-	-	-
Trade receivables and other receivables	83,166	-	-	-	83,166
Restricted cash (Bank guarantee)	-	-	-	-	-
<i>Total</i>	83,166	-	-	-	83,166

At 31 December 2017, all of the Company's financial liabilities were carried at amortised cost. There were no changes to the classification and measurement of financial liabilities.

Adoption of IFRS 15 "Revenue from Contracts with Customers". 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).

The adoption of IFRS 15 has not resulted in significant changes in accounting policies and has not resulted in adjustments to the financial statements.

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

- Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4 - "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- 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).
- Amendments to IAS 40 – "Transfers of Investment Property" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

5. New accounting pronouncements

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.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company decided that it will apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. Right-of-use assets for property leases are measured on transition as if the new rules had always applied. All other right-of-use assets are measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

The Company has made the initial assessment of the new standard which is still in progress and the following are the preliminary results.

As at 31 December 2018 the Company has non-cancellable lease commitments of EUR 219 thousands. Of these commitments, approximately EUR 78 thousands relate to short-term leases and there are no low values leases which will both be recognized on a straight-line basis as expense in profit or loss. A reconciliation of the operating lease commitments disclosed in Note 26 to the recognised liability is as follows:

	31 December 2018 / 1 January 2019
Total future minimum lease payments for non-cancellable operating leases (Note 26)	219,252
- Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	77,819
- Effect of discounting to present value	9,606
Total lease liabilities	131,826

For the remaining lease commitments the Company expects to recognise right-of-use assets of approximately EUR 131 thousands on 1 January 2019, lease liabilities of EUR 131 thousands (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred tax assets will not be affected significantly. Overall net assets will be approximately EUR 50 thousands lower, and net current assets will be EUR 50 thousands lower due to the presentation of a portion of the liability as a current liability.

The Group expects that net profit/ (loss) for the year-ending 31 December 2019 year will increase by approximately EUR 77 thousands as a result of adopting the new rules. Adjusted EBITDA used to measure results is expected to increase by approximately EUR 58 thousands, as the operating lease payments were included in EBITDA, but the amortisation of the right-of-use assets and interest on the lease liability are excluded from this measure.

5. New Accounting Pronouncements (continued)

Operating cash flows will increase and financing cash flows decrease by approximately EUR 58 thousands as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, the Company does not expect any significant impact on the financial statements in respect of recognition of the Company's activities as a lessor. However, some additional disclosures will be required from next year.

IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Company is currently assessing the new standard but is not expecting a significant impact on its financial statements.

Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement" (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments specify how to determine pension expenses when changes to a defined benefit pension plan occur. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires to remeasure net defined benefit liability or asset. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Before the amendments, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The Company is currently assessing the impact of the amendments on its financial statements.

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). The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument. In addition, the text added to the standard's basis for conclusion reconfirms existing guidance in IFRS 9 that modifications or exchanges of certain financial liabilities measured at amortised cost that do not result in the derecognition will result in an gain or loss in profit or loss. Reporting entities will thus in most cases not be able to revise effective interest rate for the remaining life of the loan in order to avoid an impact on profit or loss upon a loan modification. The Company is not expecting a significant impact on its financial statements.

5. New Accounting Pronouncements (continued)

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). The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Company is not expecting a significant impact on its financial statements.

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Company is currently assessing the impact of the amendments on its financial statements.

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).

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).

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

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Notes to the separate financial statements

6. Revenue

<i>In Euro</i>	2018	2017
Sales of goods	40,519,686	41,172,397
Freight revenue	2,063,204	1,932,888
Sale of white cement	243,655	606,322
Sales of Pet coke	190,069	71,068
Rebates	(3,719,951)	(4,273,930)
Total sales	39,296,663	39,508,745

7. Cost of Sales

<i>In Euro</i>	2018	2017
Variable		
Kiln fuel	7,136,964	7,095,092
Raw Materials	4,086,599	3,647,778
Electricity power	3,133,722	3,343,791
Purchased Clinker	3,165,496	3,941,175
Refractory	511,986	781,755
Other variable costs	319,583	329,614
Grinding media	77,613	193,918
Fuel and oil	10,853	749
Total variable cost	18,442,816	19,333,872
Fixed Cost		
Salaries	2,694,949	2,618,385
Third parties services	1,460,475	1,628,697
Maintenance spare parts	708,534	465,230
Other fixed costs	268,299	296,443
Insurance and taxes	135,417	187,790
Total fixed cost	5,267,674	5,196,545
Distribution and packing Note 7a	5,075,429	5,368,478
Depreciation and amortization (Note 14)	5,250,956	4,538,881
Cost of Trading Goods	288,236	627,353
Inventory Increase	597,043	407,305
Cost of Goods Sold	34,922,154	35,472,434

7.a Distribution & packing expenses

<i>In Euro</i>	2018	2017
Packing Expenses		
Bags and wrapping materials	930,818	1,089,079
Pallets	525,245	596,963
Salaries & related expenses	222,288	230,455
Outsourced packing activities	189,172	215,266
Maintenance & spare parts	106,961	245,684
Electricity	117,095	142,673
Third parties labor maintenance	139,520	153,181
Consumables	16,256	17,079
Fuel and Oil	-	1,808
Total packing cost	2,247,355	2,692,188
Distribution Expenses	2,828,074	2,676,290

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Total packing and distribution	5,075,429	5,368,478
8. Other operating income		
<i>In Euro</i>	2018	2017
Gain on disposal of PPE	-	19,322
Other sales	98,403	39,063
Spare parts surplus	23,771	-
Total other operating income	122,174	58,385
9. Administrative expenses		
<i>In Euro</i>	2018	2017
Management support services	762,200	859,966
Salaries	579,094	602,360
Corporate Social Responsibility (CSR)	295,285	258,256
Staff benefits	296,113	305,981
Legal and other consulting services	315,807	261,222
Travelling expenses	185,876	173,885
Other administrative expenses	175,471	66,900
Depreciation and amortisation (Note 14)	179,643	128,372
Software maintenance and IT materials	103,021	77,681
Logistic outsources	27,118	28,977
Training	15,460	41,400
Car fuel expenses	51,849	43,585
Social security	25,530	26,012
Audit fee	26,392	24,106
Total administrative expenses	3,038,859	2,898,703
10. Selling expenses		
<i>In Euro</i>	2018	2017
Salaries	204,238	208,703
Advertising & Promotion expenses	34,351	30,904
Rental & Leases	48,056	74,739
Other professional fees and related expenses	31,683	35,700
Depreciation and amortization (Note 14)	20,086	23,467
Staff Benefits	22,505	15,377
Car Fuel Expenses	18,797	19,507
Social security	10,389	10,412
Travelling Expenses	8,483	8,184
Total selling expenses	398,588	426,993

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11. Other operating expenses

<i>In Euro</i>	2018	2017
Staff leaving indemnities	679,581	663,241
Other operation expenses	86,325	477,382
Loss on disposal of PPE	11,467	-
Total other operating expenses	777,373	1,140,623

Staff leaving indemnities in the amount of EUR 679,581 (2017: 663,241) are related to the updated termination benefit cost for employees that have taken any of the past post-retirement benefit plans (see Note 22).

12. Finance income and finance costs

<i>In Euro</i>	2018	2016
Interest expense and bank charges	434,983	612,243
Interest accretion on provision	81,278	-
Total finance cost	516,261	612,243

<i>In Euro</i>	2018	2017
Dividends income from Cement Plus	469,130	324,125
Total investment income	469,130	324,125

13. Income Tax expenses

Income tax in Kosovo is assessed at the rate of 10% of taxable income. The following is a reconciliation of income taxes calculated at the applicable tax rate to income tax expenses.

<i>In Euro</i>	2018	2017
Current income tax	-	7,412
Deferred income tax	69,845	87,800
	69,845	95,212

The income tax rate applicable to the Company's 2018 and 2017 income is 10%. A reconciliation between the expected and the actual taxation charge is provided below.

<i>In Euro</i>	2018	2017
Profit/(loss) Before Tax	234,732	659,741
Add back:		
Expenses not deductible for tax purposes	1,888,265	605,246
Less:		
Non-taxable income	(469,130)	(324,135)
Depreciation and special allowance	(936,158)	(1,168,172)
Taxable profit	717,709	(1,546,792)
Utilisation of Taxable losses carried forward	(1,582,142)	(35,350)
Taxable profits/(losses)	(864,433)	(1,582,142)
Current income tax at 10%	-	-

13. Income tax expense (continued)

As per the Kosovo Tax legislation the tax losses can be carried forward for a period of 6 consecutive years. Tax losses carried forward for 2018 are EUR 864,433 (2017: 1,582,142).

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

Deferred tax Liability

Recognized deferred tax liability

	As at 1 January	Recognized in profit or loss	As at 31 December
2018			
Accelerated depreciation of property, plant and equipment for tax purposes	614,599	69,845	684,444
	614,599	69,845	684,444
2017			
Accelerated depreciation of property, plant and equipment for tax purposes	526,799	87,800	614,599
	526,799	87,800	614,599

During the year the Tax Administration of Kosovo performed an audit regarding financial years 2015 and 2016 with subjects the corporate income tax, withholding tax, tax on payroll, social contributions and VAT for these years. The initial findings of the Large Taxpayers Unit of the Tax Administration who performed the audit were contested by the Company during a hearing at the Appeals Department of the Tax Authority. As a consequence, the Appeals Department decreed that a re-audit should take place in relation to the initial findings which re-audit was not initiated within the year.

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14. Property, plant, equipment & intangibles

<i>Euro Cost</i>	Quarries	Building and Installation	Machinery and Equipment	Furniture, fixtures and vehicles	Construction in progress	Intangible	Total
At 1 January 2017	11,010,358	13,506,317	52,621,571	1,606,756	3,982,628	346,644	83,074,274
Additions	122,777	-	-	-	4,041,986	-	4,164,763
Transfer	-	2,234,004	3,561,854	86,239	(5,937,201)	55,104	-
Adjustment	-	-	-	-	(177,788)	-	(177,788)
Disposals	-	-	-	(69,925)	-	-	(69,925)
At 31 December 2017	11,133,135.00	15,740,321	56,183,425.00	1,623,070	1,909,625	401,748	86,991,324
At 1 January 2018	11,133,135	15,740,321	56,183,425	1,623,070	1,909,625	401,748	86,991,324
Additions	36,134	-	-	-	1,695,356	-	1,731,490
Transfer	-	308,645	581,712	115,848	(1,310,481)	304,276	-
Adjustment	2,207,678	-	-	-	-	-	2,207,678
Disposals	(181,317)	-	-	-	-	-	(181,317)
At 31 December 2018	13,195,630.00	16,048,966	56,765,137	1,738,918	2,294,500	706,024	90,749,175
Depreciation							
At 1 January 2017	3,080,966	8,999,690	29,018,555	1,272,672	-	73,843	42,445,726
Charge for the period	981,688	378,388	3,116,263	134,900	-	76,841	4,688,080
Disposals	-	-	-	(67,285)	-	-	(67,285)
At 31 December 2017	4,062,654	9,378,078	32,134,818	1,340,287	-	150,684	47,066,521
At 1 January 2018	4,062,654	9,378,078	32,134,818	1,340,287	-	150,684	47,066,521
Charge for the period	1,299,380	463,638	3,436,454	124,687	-	126,527	5,450,686
At 31 December 2018	5,362,034	9,841,716	35,571,272	1,464,974	-	277,211	52,517,207
Carrying amount							
At 31 December 2017	7,070,481	6,362,243	24,048,607	282,783	1,909,625	251,064	39,924,803
At 31 December 2018	7,833,596	6,207,250	21,193,865	273,944	2,294,500	428,813	38,231,968

14. Property, plant, equipment & intangibles (Continued)

The property, plant and equipment that was obtained at 9 December 2010 (the date of purchase of the Company's shares as part of the privatization process (see Note 1) are stated at fair value. Valuation of the plant and machines was performed by the Titan Cement Company S.A technical department, since it relates to specific valuation which is known to the Titan Group from its previous similar transactions. The fair value was determined using references of the newly constructed factory in the Titan Group. The valuation of the land was performed by the independent valuers, based on the market value. The fair value of property, plant and equipment determined as at 9 December 2010 was EUR 29,885,092. The difference between the fair value of the assets acquired and the nominal value of the shares issued net of applicable deferred tax was credited to retained earnings in equity. Construction in progress it is all recoverable.

Security

The Company has no liens or encumbrances on its assets nor has any asset been pledged as collateral.

Intangibles

This balance relates to computer software licenses.

15. Investment in subsidiaries

The Company has invested in subsidiaries as follows:

<i>In Euro</i>	2018	2017
Cement Plus for Building Materials LLC	2,982,000	2,982,000
Millcco Dooel	3,500,000	3,500,000
Rudmak Pcm Dooel	1,679,000	1,559,000
Total Investment in subsidiaries	8,161,000	8,041,000

Cement Plus for Building Materials LLC owns a cement terminal established and operating in Lipjan, Kosovo – a commercially strategic position: one kilometer from the under construction Skopje-Prishtina motorway, at 15km from Prishtina, the largest cement consumption location in the country. The terminal can handle both bagged and bulk cement.

Rudmak Pcm Dooel owns a property for marl extraction in Blace, at a distance of 2km from the plant, with a valid exploitation license. These reserves would suffice, in average terms, for 14 to 18 months of supply to the plant. The results of the geological surveys show that Blace marl reserve is a continuation of the Company's active Dimce quarry.

Millcco Dooel owns a horizontal mill for pet coke grinding. This enables Sharrcem Shpk to independently run its cement production line, improve substantially its operational efficiency and achieve significant savings in the cost of its kiln fuel.

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15. Investment in subsidiaries (continued)

The table below summarises the movements in the carrying amount of the Company's investments in subsidiary.

<i>In Euro</i>	2018	2017
Carrying amount at 1 January	8,041,000	8,041,000
Increase of investment in subsidiaries	120,000	-
Carrying amount at 31 December	8,161,000	8,041,000

During the year 2018 the Company received dividends from subsidiaries in amount of EUR 469,130 (2017:324,135).

The Company's interests in its subsidiaries were as follows:

Name	31 December 2018		31 December 2017	
	% ownership interest held (% of voting rights if different)	Place of business (country of incorporation if different)	% ownership interest held (% of voting rights if different)	Place of business (country of incorporation if different)
<i>Subsidiaries</i>				
Cement Plus for Building Materials LLC	65%	Kosovo	65%	Kosovo
Millco PCM Dooel	100%	F.Y.R.M	100%	F.Y.R.M
Rudmak Dooel:	100%	F.Y.R.M	100%	F.Y.R.M
Esha Materials Dooel	100%	F.Y.R.M	100%	F.Y.R.M
Esha Materials LLC	100%	Kosovo	100%	Kosovo

During the year ended 31 December 2016 the Rudmak Dooel established two new subsidiaries Esha Materials Dooel and Esha Materials LLC.

16. Inventories

<i>In Euro</i>	2018	2017
Raw materials, consumables and spare parts	3,872,066	3,879,106
Work in progress	608,819	1,042,887
Finished goods	575,267	738,242
Total inventories	5,056,152	5,660,235

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17. Trade and other receivables

<i>In Euro</i>	2018	2017
Trade receivables	427,377	447,179
Receivables from related parties	12,305	2,814
Total trade receivables	439,682	449,993
Allowances for trade receivables	(83,166)	(83,166)
Trade receivables net	356,516	366,827
Other receivables	427,657	892,610
VAT receivables	154,015	137,803
Total trade and other receivables	938,188	1,397,240

Included in other receivable is restricted cash for guarantee issued in favor of the custom house in an amount of EUR 134,805 as at 31 December 2018 (31 December 2017: EUR 130,089).

Movements in the allowance for trade receivables is as follows:

<i>In Euro</i>	2018	2017
Opening balance 1 January	83,166	83,166
Charge for the year (Note 11)	-	-
Closing balance as at 31 December	83,166	83,166

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

	2018	2017
Neither Past due nor impaired	173,303	252,483
Past due but not impaired		
Up to 30 days	170,565	90,355
From 30 to 60 days	878	20,975
From 60 to 90 days	622	-
Impaired		
From 90 to 120 days	1	-
From 120 to 365 days	173	-
Above 365 days	81,836	83,366
Allowance for impairment	(83,166)	(83,166)
Total trade receivables	344,212	364,013

18. Advances given and prepayments

Advances given and prepayments comprise of prepayments for inventory in amount of EUR 950,513 (2017: EUR 864,161) and other prepayments in amount of EUR 163,103 (2017: EUR 135,162).

19. Cash and cash equivalents

<i>In Euro</i>	2018	2017
Bank balances	571,777	1,315,747
Cash on hand	388	1,704
Total cash and cash equivalents	572,165	1,317,451

Cash and cash equivalents consist of current accounts held with Raiffeisen Bank Kosovo, Procredit Bank, BpB Bank, NLB Prishtina, BKT Bank and Komercijalna Bank. Some of these banks are part of international banking groups. The credit risk rating of their respective banking group is presented below. The others that are not part of international banking groups, are local banks and are not rated by international credit rating agencies.

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19. Cash and cash equivalents (continued)

Bank	Group Company	Rating Agency	Credit rating	Outlook
Raiffeisen Bank Kosovo	Raiffeisen Bank International	Fitch	BBB+	Stable
Procredit Bank Kosovo	Procredit Holding	Fitch	B+	Stable
NLB Prishtina	NLB	Fitch	BB+	Stable
BKT Bank	Çalik Holding	Unrated	N/A	Stable
Banka Ekonomike	N/A	Unrated	N/A	Stable
Komercijalna Banka Skopje	N/A	Unrated	N/A	Stable

The unrated banks are local banks which even though are not rated have stable position in the market. The credit quality of cash and cash equivalents balances may be summarised based on rating agencies described above are as follows at 31 December 2018 and 2017:

	2018	2017
<i>In Euro</i>	Bank balances payable on demand	Bank balances payable on demand
<i>Neither past due nor impaired</i>		
- Raiffeisen Bank Kosovo BBB+ Rated	233,915	1,075,445
- Procredit Bank Kosovo B+	109,868	40,624
- NLB Pristina BB+	175,573	153,534
- Unrated	52,421	46,144
Total cash at banks	571,777	1,315,747

20. Share capital

Sharr Beteiligungs GmbH, Hamburg is the sole owner of the Company. Owner's capital in the amount of EUR 6,201,001. The total authorised number of ordinary shares is 6,201 thousand shares (2017: 6,201 thousand shares) with a par value of EUR 1 per share (2017: EUR 1 per share). All issued ordinary shares are fully paid. The stake holders are entitled to receive dividends as declared from time to time. All stakes rank equally with regard to the Company's residual asset.

21. Trade and other payables

<i>In Euro</i>	2018	2017
Trade payables	3,025,666	2,312,449
Liabilities to related parties	4,733,037	4,527,563
Other	291,689	308,183
Total trade and other payables	8,050,392	7,148,195

The trade payables are non-interest of bearing and are normally settled between 30 and 60 days' terms. Other payables consist mainly salaries payables.

22. Employees' termination benefit

During the year ended 31 December 2018 no additional employees (31 December 2017: 4 employees) accepted an offer for voluntary redundancy in exchange for benefits. Benefits provided from the Company include an exit package and medical health insurance. The discount rate used to calculate the present value of employee termination benefit is 6.7% (31 December 2017: 6.7%).

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22. Employees' termination benefit (continued)

<i>In Euro</i>	2018	2017
Payable within one year	613,278	409,540
From one year to five years	705,395	952,976
Total Employee termination benefit	1,318,673	1,362,516
<i>In Euro</i>	2018	2017
Carrying amount as at 1 January	1,362,516	2,594,898
Additions charged to profit or loss (Note 11)	679,581	663,241
Paid during the year	(723,424)	(1,895,623)
Closing balance as at 31 December	1,318,673	1,362,516

23. Provisions

The provisions in amount of EUR 2,469,479 as at 31 December 2018 (31 December 2016: 218,521) are calculated in accordance with the Law on Environment protection and decision of the Ministry of Environment to cover the future cost for quarry rehabilitation. The rehabilitation cost has been estimated and discounted at the Company WACC of 7.6% (2017: 6.7%) for a period of five years.

In Euro

As of 1 January 2018	218,521
Increase on site restoration provision	2,207,678
Restoration provision used during the period	(37,998)
Interest accretion on restoration provision	81,278
As of 31 December 2018	<u>2,469,479</u>

24. Borrowings

On 17 December 2015 the Company signed a loan agreement with Sharr Beteiligungs GmbH for an available loan of EUR 8,700,000 in order to finance investment in its acquired subsidiaries. The loan was to be repaid in 8 equal 6 month instalments and the first one was to be paid in 18 months after the date of the agreement. The interest rate determined to be the aggregate of 7% per annum and EURIBOR for the relevant period. During 2018 the Company has repaid all the outstanding borrowing.

<i>In Euro</i>	2018	2017
Borrowings	-	6,500,000
Accrued interest	-	16,873
Total Borrowings	-	<u>6,516,873</u>

Loan movement table

	Opening balance	Returned	Closing balance
Borrowing	6,516,873	6,516,873	-
Total	<u>6,516,873</u>	<u>6,516,873</u>	-

25. Balances and transactions with related parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The balances and transactions with related parties are presented in the below table:

Related parties transactions

In Euro

31 December 2018

31 December 2017

Sales and services provided to related parties

Direct Parent:

Sharr Beitaligungs GMBH

15,000

Entities under common control:

Kosjeric

174,678

USJE Cementarnica A.D. - cost of traded goods

112,423

2,814

287,101

17,814

Purchase of goods and services from related parties

Ultimate Parent:

Titan Cement S.A.

1,373,779

1,468,709

Direct Parent:

Sharr Beteiligungs GmbH

470,076

724,321

Entities under common control:

Usje Cementarnica A.D. - pet coke, clinker, white cement, freight, silos, materials and services

8,693,985

10,460,838

Antea Cement SHA - purchase of clinker

707,306

195,124

11,245,146

12,848,992

Trade and other receivables

Entities under common control:

Usje Cementarnica A.D. - cost of traded goods

12,305

2,814

12,305

2,814

Borrowings

Direct Parent:

Sharr Beteiligungs GmbH

-

6,516,862

-

6,516,862

Trade and other payables

Ultimate Parent:

Titan Cement S.A.

269,531

356,045

Entities under common control:

Antea

678,496

166,288

Usje Cementarnica A.D

3,785,010

4,005,230

4,733,037

4,527,563

Key management compensation. Key management compensation is presented below:

Key management Compensation

2018

2017

Salaries

172,422

154,118

Bonus

62,157

5,764

Pension Contribution

1,379

1,080

Total key management compensation

235,958

160,962

26. Contingencies and commitments

In Euro	2018	2017
Up to 1 year	77,819	66,200
Later than 1 year and not later than 5 years	141,433	270,315
	219,252	336,515

The company leases motor vehicles under lease agreements and a terminal. The Leases have verify terms and clauses.

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

At 31 December 2017 the Company was engaged in litigation proceedings with N.T.P “Hasi” and N.T.P “HASI –R” and in relation to fulfilment of obligations from sale contracts, unjust enrichment and compensation of damage. No provision has been made as the Company’s management believes that it is not likely that any significant loss will arise.

Tax contingencies. Kosovo tax and customs legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Kosovo tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax noncompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for six calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

27. Financial Risk Management

The risk management function within the Company is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk. The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company’s sales of products on credit terms and other transactions with counterparties giving rise to financial assets.

The Company’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position is as follows:

In Euro	31 December 2018	31 December 2017
Trade receivables	356,517	366,827
Cash and cash equivalent	571,777	1,315,747
Total maximum exposure to credit risk	928,294	1,682,574

27. Financial Risk Management (Continued)

The credit risk is mitigated by collateral and other credit enhancements. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or Companies of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Customers that fail to meet the benchmark for creditworthiness of Company may buy goods from Company on a prepayment basis or by providing a bank guarantee issued by one of the three biggest Kosovo's banks.

As at 31 December 2017 amount of receivables covered with bank guarantee amounts EUR 43,147 (31 December 2017: EUR 340,939). The Company management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in note 17. The Company's bank deposits are held only with reputable banks, thus credit risk is not considered significant.

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks included below are based on a change in a factor, while holding all other factors constant. In practice this is unlikely to occur and changes in some of the factors may be correlated – for example, changes in interest rate and changes in foreign currency rates.

Currency risk. The Company operates nationally, in the territory of the Republic of Kosovo and is not significantly exposed to foreign exchange risk as all transactions during 2018 and 2017 are denominated in Euro. As a whole, the Company is not exposed to currency risk because:

- revenue is earned in Euro;
- purchases of main assets and materials used in the Company's investment activities are denominated in Euro;
- financial assets are denominated in Euro

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the Company's exposure to interest rate risks.

	<u>31 December 2018</u>	<u>31 December 2017</u>
Financial Assets		
<i>Non-interest bearing</i>		
Trade receivables	356,517	366,827
Cash and cash equivalents	571,777	1,315,747
	<u>928,294</u>	<u>1,682,574</u>
Financial Liabilities		
<i>Non-interest bearing</i>		
Trade and other payables	8,050,392	7,148,195
<i>Interest bearing borrowings</i>		
Borrowings with interest	-	6,500,000
	<u>8,050,392</u>	<u>13,648,195</u>

27. Financial Risk Management (Continued)

The Company does not have formal policies and procedures in place for the management of interest rate risks as management considers this risk as insignificant to the Company's business

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by management of the Company. Management monitors monthly rolling forecasts of the Company's cash flows. The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. The table below shows liabilities at 31 December 2018 and 31 December 2017 by their remaining contractual maturity. The following table shows the undiscounted cash flows on the Company's financial liabilities on the basis of their earliest possible contractual maturity or expected cash flow as at 31 December 2018 and 31 December 2017 as the impact of discounting is not significant due to their short term maturity.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

31 December 2018	6 months or less	More than 6 months	Total
Trade payables	7,758,703	-	7,758,703
Borrowings	-	-	-
Total financial liabilities	7,758,703	6,500,000	7,758,703

31 December 2017	6 months or less	More than 6 months	Total
Trade payables	6,840,012	-	6,840,012
Borrowings	-	6,500,000	6,500,000
Total financial liabilities	6,840,012	6,500,000	13,340,012

28. Management of capital

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Company is not subject to externally imposed capital requirements. 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 2018 and the current year 2017.

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

<i>In Euro</i>	2018	2017
Loss before tax	234,732	(659,741)
Net finance cost	47,130	288,118
Depreciation and amortization expense	5,450,686	4,688,080
EBITDA	5,732,548	4,316,457

29. Fair value disclosure

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

The tables below shows the fair value of financial assets and liabilities not measured at fair value but for which fair value is disclosed as at 31 December 2018 and 31 December 2017:

	Carrying value		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial Assets				
Trade receivables	356,517	366,827	356,517	366,827
Cash and cash equivalents	571,777	1,315,747	571,777	1,315,747
	928,294	1,682,574	928,294	1,682,574
Financial Liabilities				
Trade and other payables	7,758,703	6,840,013	7,758,703	6,840,013
Borrowings with interest	0	6,500,000	0	6,500,000
	7,758,703	13,340,013	7,758,703	13,340,013

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.
- Loans and 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 and 31 December 2017, 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.

30. Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt instruments at FVOCI, (c) equity instruments at FVOCI and (d) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently. In addition, finance lease receivables form a separate category.

For the purposes of measurement at 31 December 2017, IAS 39 “Financial Instruments: Recognition and Measurement”, classified financial assets into the following categories: (a) L&R; (b) AFS financial assets; (c) financial assets HTM and (d) financial assets at FVTPL (“FVTPL”). Financial assets at FVTPL had two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables formed a separate category.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2018 and 31 December 2017:

31 December 2018			31 December 2017	
	Measurement category	Amount	Measurement category	Amount
Cash and cash equivalents	AC	571,777	L&R	1,315,747
Trade receivables	AC	356,517	L&R	366,827
Total financial assets		928,294		1,682,574

As of 31 December 2018, all of the Group’s financial liabilities except for derivatives were carried at AC.

31. Events after the reporting period

No significant events have been identified after the balance sheet date that may require adjustment or disclosure in the special purpose financial information.

32. Accounting policies before 1 January 2018

Financial instruments – key measurement terms.

Depending on their classification financial instruments are carried at fair value or amortized cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market’s normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

32. Accounting policies before 1 January 2018 (Continued)

Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

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.

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.

Held-to-maturity assets include quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. The Company has no assets classified in these category.

32. Accounting policies before 1 January 2018 (Continued)

Held-for-trading investments are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists. The Company has no assets classified in these category. The Company may choose to reclassify a non-derivative trading financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term. Financial assets that would meet the definition of loans and receivables may be reclassified if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity.

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 recognised 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 amortised cost. The Company's other financial liabilities comprise of trade and other payables and borrowings in the statement of financial position.

Initial recognition of financial instruments are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus 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. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability 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.

Held-to-maturity investments. Held-to-maturity investments are carried at amortised cost using the effective interest method, net of any provision for incurred impairment losses. Bifurcated derivatives are carried at fair value with gains and losses arising from changes in the fair value of derivatives included in other operating income or costs in profit or loss in the period in which they arise.

Assets purchased are recognised in the statement of financial position at the forward rate determined at the contract date.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, 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 amortised cost using the effective interest method.

32. Accounting policies before 1 January 2018 (Continued)

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Company determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Company considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Company obtains;
- the counterparty considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- the value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows. Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

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 recognises 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 recognised 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 recognised when the goods are passed to the customer at the destination point.

Sales of services. Sales of services are recognised 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.