



**TITAN**  
CEMENTARA KOSJERIĆ


**“TITAN CEMENTARA KOSJERIC” DOO  
FINANCIAL STATEMENTS  
FOR THE GROUP CONSOLIDATION PURPOSES  
FOR THE YEAR ENDED 31 DECEMBER 2015**

**TITAN CEMENTARA KOSJERIC DOO  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2015  
PREPARED FOR THE GROUP CONSOLIDATION PURPOSES**

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

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**Director**  
Mr. Miroslav Gilgorijević

**Registered office**

Titan Cementara Kosjerić doo  
Zivojina Misica bb  
31260 Kosjerić  
Republic of Serbia

**Auditor**

PricewaterhouseCoopers d.o.o.  
Omladinskih brigada 88a  
11070 Belgrade  
Republic of Serbia

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## INDEPENDENT AUDITOR'S REPORT

### To the Management of Titan Cementara Kosjeric d.o.o., Kosjeric

We have audited the accompanying financial statements of Titan Cementara Kosjeric d.o.o., Kosjeric (the "Company") which comprise the statement of financial position as of 31 December 2015 and the statement of profit and loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards

#### *Other Matter*

The financial statements of the Company for the year ended 31 December 2014 were audited by another firm of auditors whose report, dated 26 January 2015, expressed an unqualified opinion on those statements.

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This version of our report/ the accompanying documents is a translation from the original, which was prepared in Serbian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.




### **Restriction of use**

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



Milivoje Nesovic  
Licensed Auditor



PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 12 February 2016

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

**Income statement**

	Notes	<u>For 12 months period ended 31-Dec-15</u>	<u>For 12 months period ended 31-Dec-14</u>
Sales	4	3,784,409	3,616,794
Cost of sales	5	<u>(2,356,959)</u>	<u>(2,189,052)</u>
<b>Gross profit</b>		<b>1,427,450</b>	<b>1,427,742</b>
Other operating income	6	36,384	43,534
Selling expenses	8	(32,328)	(32,178)
Administrative expenses	9	(303,227)	(216,753)
Other operating expenses	7	<u>(22,383)</u>	<u>(92,624)</u>
<b>Profit from operating activities</b>		<b>1,105,896</b>	<b>1,129,721</b>
Finance income/(expenses), net	11	<u>7,201</u>	<u>117,442</u>
<b>Profit before taxation</b>		<b>1,113,097</b>	<b>1,247,163</b>
Income tax expense	12	<u>(167,460)</u>	<u>(194,364)</u>
<b>Profit for the period</b>		<b><u>945,637</u></b>	<b><u>1,052,799</u></b>
<b>Attributable to:</b>			
<b>Owners of the parent</b>		<b><u>945,637</u></b>	<b><u>1,052,799</u></b>

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**Statement of comprehensive income**

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
<b>Profit for the period</b>	<b>945,637</b>	<b>1,052,799</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b>945,637</b>	<b>1,052,799</b>
<b>Attributable to:</b>		
<b>Owners of the parent</b>	<b>945,637</b>	<b>1,052,799</b>

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**Statement of financial position**

	Notes	As at 31 Dec 2015	As at 31 Dec 2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1,972,857	2,003,019
Construction in progress	13	42,323	116,078
Intangible Assets		5,046	7,560
Investment in subsidiary	14	7,966	7,966
Deferred tax assets-net	12	2,547	-
		<u>2,030,739</u>	<u>2,134,623</u>
<b>Current assets</b>			
Inventories	15	488,694	597,896
Trade receivables	16	274,273	277,789
Other receivables	17	46,847	34,228
Cash and cash equivalents	18	1,121,030	946,771
		<u>1,930,844</u>	<u>1,856,684</u>
<b>Total assets</b>		<u><u>3,961,583</u></u>	<u><u>3,991,307</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Shares	19	2,505,209	2,505,209
Reserves		166,474	166,474
Retained earnings (losses)		-	-
Current period result		945,637	1,052,799
		<u>3,617,320</u>	<u>3,724,482</u>
<b>Non-current liabilities</b>			
Other non-current liabilities	20	34,695	31,943
Deferred tax liabilities-net	12	-	2,803
<b>Current liabilities</b>			
Trade and other payables	21	309,568	232,079
<b>Total Liabilities</b>		<u>344,263</u>	<u>266,825</u>
<b>Total equity and liabilities</b>		<u><u>3,961,583</u></u>	<u><u>3,991,307</u></u>

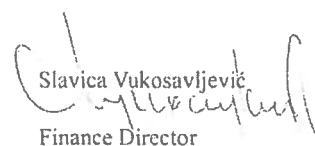
The accompanying notes on pages 7 to 34 are an integral part of these Financial Statements

The financial statements on pages 2 to 34 were signed on its behalf by:

Mr. Miroslav Gligorić  
 Director



Slavica Vukosavljević  
 Finance Director



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**Statement of Changes in Equity**

	Ordinary shares	Reserve	Retained earnings	Current period result	Total
<b>Balance at 1 January 2014</b>	<b>2,505,209</b>	<b>166,474</b>	<b>1,165,973</b>	<b>954,534</b>	<b>4,792,190</b>
Adjustment	-	-	-	(101)	(101)
<b>Adjusted Balance at 1 January 2014</b>	<b>2,505,209</b>	<b>166,474</b>	<b>1,165,973</b>	<b>954,433</b>	<b>4,792,089</b>
Profit for the period	-	-	-	1,052,799	1,052,799
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,052,799</b>	<b>1,052,799</b>
Transfer to retained earnings	-	-	954,433	(954,433)	-
Dividends distribution	-	-	(2,120,406)	-	(2,120,406)
<b>Balance at 31 December 2014</b>	<b>2,505,209</b>	<b>166,474</b>	<b>-</b>	<b>1,052,799</b>	<b>3,724,482</b>
	Ordinary shares	Reserve	Retained earnings	Current period result	Total
<b>Balance at 1 January 2015</b>	<b>2,505,209</b>	<b>166,474</b>	<b>-</b>	<b>1,052,799</b>	<b>3,724,482</b>
Adjustment	-	-	-	1,673	1,673
<b>Adjusted Balance at 1 January 2015</b>	<b>2,505,209</b>	<b>166,474</b>	<b>-</b>	<b>1,054,472</b>	<b>3,726,155</b>
Profit for the period	-	-	-	945,637	945,637
Other comprehensive income	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>945,637</b>	<b>945,637</b>
Transfer to retained earnings	-	-	1,054,472	(1,054,472)	-
Dividends distribution	-	-	(1,054,472)	-	(1,054,472)
<b>Balance at 31 December 2015</b>	<b>2,505,209</b>	<b>166,474</b>	<b>-</b>	<b>945,637</b>	<b>3,617,320</b>



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**Statement of cash flow**

	Notes	For 12 months period ended 31-Dec-15	For 12 months period ended 31- Dec-14
<i>Cash flows from operating activities</i>			
Profit after taxation		945,637	1,052,799
Adjustments for:			
Tax	12	167,460	194,364
Depreciation and amortization expense		191,113	187,286
Interest income	11	(4,565)	(24,444)
Interest expenses and Bank Charges		2,385	2,703
(Gain) / Loss on sale of property, plant and equipment		(217)	(211)
Loss on disposals of fixed assets		1,868	4,113
Effects of exchange rate changes	11	(5,021)	(95,701)
<b>Operating cash flows before working capital Changes</b>		<b>1,298,660</b>	<b>1,320,909</b>
Changes:			
(Increase)/decrease in trade and other Receivables		(6,651)	(27,780)
(Increase)/decrease in inventory		109,202	(5,405)
Increase/(decrease) in trade and other payables		82,233	364
Decrease in other long term assets		-	-
<b>Cash generated from operations</b>		<b>1,483,444</b>	<b>1,288,088</b>
Interest and Bank charges paid		(2,385)	(2,703)
Tax paid		(184,121)	(50,414)
<b>Net cash from operating activities</b>		<b>1,296,938</b>	<b>1,234,971</b>
<i>Cash flows from investing activities</i>			
Acquisition of subsidiary		-	-
Disposal of Subsidiary, Net of Cash Disposed		-	-
Fair value gains on Participation Investment in Subsidiary		-	-
Purchase of property, plant and equipment		(77,492)	(120,075)
Purchase of intangible assets		(517)	-
Interest received		4,565	24,444
Proceeds from sale of property, plant and Equipment		216	211
<b>Net cash used in investing activities</b>		<b>(73,228)</b>	<b>(95,420)</b>
<i>Cash flows from financing activities</i>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		(1,054,472)	(2,120,410)
<b>Net cash from financing activities</b>		<b>(1,054,472)</b>	<b>(2,120,410)</b>
Effects of exchange rate changes		5,021	95,701
<b>Net increase/(decrease) in cash</b>		<b>174,259</b>	<b>(885,158)</b>
Cash at the beginning of period	18	946,771	1,831,929
Cash at the end of period	18	<b>1,121,030</b>	<b>946,771</b>

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**1. General information**

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

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

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

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

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

The Company employed 233 people as at 31 December 2015 (as at 31 December 2014: 234 people).

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**2. Summary of significant accounting policies and accounting estimates**

**2.1. Basis of preparation**

These Financial Statements for the year ended 31 December 2014 were prepared in accordance with International Financial Reporting Standards (IFRS) and are not the statutory accounts of the Company. The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily Serbian). The accompanying Financial Statements were primarily derived from the Company's statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (IFRS). The sole purpose of the financial statements is to be used in connection and preparation of consolidated financial statements of Titan Cement Company S.A.

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

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

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

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

**2.1.1. New standards, interpretations and amendments adopted by the Company**

*Amendments to IAS 19*

The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.

*Amendments to IFRS 13*

The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial.

The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.

*Amendment to IFRS 1*

The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.

All the above mentioned amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the Company.

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## **2.2. Foreign currency translation**

### Functional and presentation currency

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

### Transactions and balances

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

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

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

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

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

## **2.3. Property, plant and equipment**

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

Cost includes all costs directly attributable to bringing the assets to working condition for their intended use.

Depreciation is calculated on the straight-line method intended to write off the cost of each asset to their residual values over the estimated useful life.

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

Depreciation rates are set as follows:

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

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### **2.3. Property, plant and equipment (continued)**

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

Spare parts are capitalized within property, plant and equipment if their value is higher than EUR 35,000 and are expected to be used more than one period. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably.

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

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

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

### **2.4. Non-derivative financial assets**

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

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

#### Loans and Receivables

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

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

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

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## **2.5. Non-Derivative Financial Liabilities**

### Trade Payables

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

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

## **2.6. Cash and cash equivalent**

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

## **2.7. Investments in subsidiaries**

Investments in subsidiaries are accounted at cost.

## **2.8. Inventories**

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

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

## **2.9. Provisions**

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

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

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

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**2.10. Current and deferred income tax**

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in Serbia, where the Company operates and generates taxable profit. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

**2.11. Employee benefits**

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

**2.12. Revenue recognition**

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

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

Sales of goods – wholesale

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

Freight revenue

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

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**3. Critical accounting estimates and judgments**

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

*Retirement benefits and jubilee awards*

The present value of the retirement benefits obligations and jubilee awards ("the obligations") depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and employees turnover. Any changes in these assumptions will impact the carrying amount of the obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related liability.

Other key assumptions for the obligations are based in part on current market conditions. Additional information is disclosed in note 20.

Were the discount rate used to differ by 3 % from management's estimates, the carrying amount of the obligations would be an estimated RSD 4,144 thousand lower or RSD 8,951 thousand higher.

*Useful lives of Property, Plant and Equipment*

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

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

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2015 would be to increase/decrease it by RSD 18,359 thousand (2014: RSD 17,882 thousand).

*Depletion – estimated reserves*

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



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**4. Sales**

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31- Dec-14</b>
Sales revenue cement Serbia	2,807,490	2,895,962
Sales revenue cement Montenegro	784,649	624,869
Sales revenue cement Croatia	97,976	59,240
Sales revenue cement Kosovo	21,411	36,723
Sales revenue crushed stone Serbia	72,883	-
<b>Total</b>	<b>3,784,409</b>	<b>3,616,794</b>

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**5. Cost of sales**

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
<b>Variable</b>		
Kiln fuel	344,140	327,450
Raw material	143,360	131,922
Electricity power	198,724	199,851
Fuel and oil	47,087	46,463
Refractory	26,347	23,254
Grinding media	5,487	2,443
Concession fees	12,444	12,107
Third party Labor Quarry	33,758	25,267
Other variable costs	7,807	2,676
<b>Total variable cost</b>	<b>819,154</b>	<b>771,433</b>
<b>Fixed</b>		
Salaries	347,041	350,787
Training	4,296	3,581
Maintenance spare parts	60,306	53,793
Third parties services	48,921	35,834
Lining	2,850	2,742
Insurance and taxes	27,606	29,254
Plant utilities	5,321	3,977
Heating expenses	5,202	11,747
Petty inventory and consumables	10,949	10,998
Cement quality control and certification	9,151	6,626
Health and safety at work	2,520	4,113
Car expenses	2,733	2,707
Material for laboratory	2,538	2,826
Environmental protection costs	4,000	3,734
Stationary	2,849	3,108
Other fixed costs	9,378	5,595
<b>Total fixed cost</b>	<b>545,661</b>	<b>531,422</b>
<b>Packing</b>		
Salaries	49,084	49,916
Training	373	335
Bags and folio	84,297	61,669
Pallets	53,147	37,774
Electricity power	3,274	2,482
Fuel and oil	1,183	975
Maintenance spare parts & Third parties maintenance	8,641	10,538
Insurance	951	1,052
Other expenses	5,033	5,731
<b>Total packing cost</b>	<b>205,983</b>	<b>170,472</b>
<b>Inventory (Increase)/Decrease</b>	<b>30,125</b>	<b>42,950</b>
<b>Depreciation</b>	<b>183,535</b>	<b>180,481</b>
<b>Distribution Expenses</b>		
Third parties services transportation	485,923	476,831
Custom and related expenses	2,589	1,876
Other	2,578	1,849
<b>Total distribution costs</b>	<b>491,090</b>	<b>480,556</b>
<b>Cost of Trading Goods</b>	<b>81,411</b>	<b>11,738</b>
<b>Total Cost of Sales</b>	<b>2,356,959</b>	<b>2,189,052</b>

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

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**6. Other operating income**

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
Revenue from sales of material	2,132	2,785
Collection of the receivables for which provision was made	5,412	634
Revenue from other operating activities	130	92
Profit on sales of fixed assets	217	211
Provision for retirement utilizes during the year (long -term)	-	186
Reversal of unused provisions for retirement (long-term)	-	5,999
Reversal of unused provisions for retirement (short-term)	-	563
Reversal of unused provisions for jubilee awards (long-term)	-	1,150
Reversal of unused provisions for jubilee awards (short-term)	-	297
Revenue from tax returns	4,113	10,821
Internal revenue	4,322	12,009
Other income	20,058	8,787
<b>Total other operating income</b>	<b>36,384</b>	<b>43,534</b>

**7. Other operating expenses**

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
Impairment of accounts trade receivable	8,187	18,844
Provision for retirement benefits(long-term)	1,993	-
Provision for retirement benefits (short-term)	497	248
Provision for jubilee awards (long term)	661	2,220
Provision for jubilee awards (short-term)	2,470	2,470
Staff leaving indemnities (including VELP)	-	54,010
Other expenses	8,575	14,832
<b>Total other operating expenses</b>	<b>22,383</b>	<b>92,624</b>

**8. Selling expenses**

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
Salaries	26,423	26,383
Training	290	414
Traveling, Entertainment expenses & Car Expenses	4,102	3,618
Other	1,227	1,456
Depreciation	286	307
	<b>32,328</b>	<b>32,178</b>

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**9. Administrative expenses**

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
Management fees – see Note 22	104,177	17,483
Salaries	98,572	91,663
Training and education	5,114	2,923
Donation to Municipality	1,272	8,785
Donations	16,127	19,963
Communication	630	1,091
Consulting services	6,464	5,580
Legal and court fees	2,269	1,560
Entertainment	3,590	3,663
Car expenses	8,728	8,714
Business trip	2,347	2,763
Membership fees	5,936	4,123
Third party labor	18,539	16,763
Rents	4,510	5,472
Heating for offices	1,631	3,680
Fees	1,547	2,210
Cement Industry organization-consultancy fees	3,560	1,939
Stationery	1,700	1,402
Advertising	763	1,229
Petty inventory and consumables	1,864	1,204
Electricity	1,215	1,050
Postal costs	1,083	829
Health and Safety	303	768
Trash removing	644	504
Other costs	3,350	4,895
Depreciation & Amortization	7,292	6,497
	<b><u>303,227</u></b>	<b><u>216,753</u></b>

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

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**10. Expenses by nature**

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
Cost of energy	611,155	601,723
Salaries	521,120	518,749
Transportation expenses	492,338	479,859
Cost of materials	307,116	254,624
Depreciation & Amortization	191,113	187,284
Consultancy fees	110,854	22,285
Cost of trading goods	81,409	11,738
Spare parts & Petty inventory	80,901	71,814
Other expenses	60,632	66,418
Third party services - maintenance	56,419	44,000
Taxes	33,808	35,916
Services related to mineral reserves exploitation	28,421	22,506
Rent	17,267	17,435
Stationary and consumables	16,636	14,648
Training	10,073	7,355
Insurance	9,915	10,575
Donations	9,725	19,104
Provisions	9,017	4,939
Grinding media & Lining	8,337	5,184
Provision for bad and doubtful debts	8,186	18,844
Cement quality control	7,599	5,019
Membership fees	5,936	4,123
Hospitality	4,307	4,162
Cost of Health and Safety	2,488	5,343
VELP	-	54,010
Inventory decrease	30,125	42,950
	<u>2,714,897</u>	<u>2,530,607</u>

**11. Finance income and expenses**

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
<b>Finance income</b>		
Bank interest and related income	4,565	24,444
Foreign exchange gain	18,561	104,132
<b>Total finance income</b>	<u>23,126</u>	<u>128,576</u>
<b>Finance expenses</b>		
Bank charges	(2,385)	(2,703)
Foreign exchange loss	(13,540)	(8,431)
<b>Total finance expenses</b>	<u>(15,925)</u>	<u>(11,134)</u>
<b>Finance income and expenses, net</b>	<u>7,201</u>	<u>117,442</u>

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**12. Taxation**

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
Current Income Tax	172,810	192,872
Deferred income tax expense / (income)	(5,350)	1,492
	<b>167,460</b>	<b>194,364</b>

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

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
<b>Accounting profit for the 12 months period ended 31 December</b>	<b>1,113,097</b>	<b>1,247,163</b>
<i>Add back:</i>		
Accounting depreciation	191,113	187,284
Provisions	6,527	4,690
Non business expenses	7,249	23,938
Penalties and capital loss	127	244
Impact of transfer pricing	1,069	3,654
Retirement Benefits calculated but not paid in the tax period for which it filed tax statement	2,490	-
Tax calculated but not paid in the tax period for which it filed tax statement	3,647	5,572
Other	3,838	1,383
<i>Less:</i>		
Depreciation for tax purposes	(172,536)	(175,127)
Taxes calculated in the previous and paid in the tax period for which it filed tax statement	(4,553)	(4,853)
Retirement Benefits calculated in the previous and paid in the tax period for which it filed tax statement	-	(186)
Reversed unused long term provisions	-	(7,946)
<b>Tax basis</b>	<b>1,152,068</b>	<b>1,285,816</b>
<b>Tax at 15% (2014: 15%)</b>	<b>172,810</b>	<b>192,872</b>
<b>Current income tax</b>	<b>172,810</b>	<b>192,872</b>
<b>Deferred income tax expense/(income)</b>	<b>(5,350)</b>	<b>1,492</b>
	<b>167,460</b>	<b>194,364</b>

The weighted average applicable tax rate was 15.5% (2014: 15.5%).

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**12. Taxation (continued)**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

Deferred tax liabilities	Accelerated tax depreciation
<b>At 1 January 2014</b>	<u>5.424</u>
Charged/(credited) to the income statement	(506)
Charged directly to equity	
<b>As 31 December 2014</b>	<u>4.918</u>
Charged/(credited) to the income statement	(2.104)
Charged directly to equity	
<b>As 31 December 2015</b>	<u>2.814</u>

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

Deferred tax assets	Retirement benefit obligation	Provisions for rewards for working experience	Non paid taxes
<b>At 1 January 2014</b>	<u>1.725</u>	-	<u>1.062</u>
Charged/(credited) to the income statement	(447)	-	(225)
<b>As 31 December 2014</b>	<u>1.278</u>	-	<u>837</u>
Charged/(credited) to the income statement	373	3.163	(290)
<b>As 31 December 2015</b>	<u>1.651</u>	<u>3.163</u>	<u>547</u>

	<u>2015</u>	<u>2014</u>
Deferred income tax assets:		
- to be recovered after more than 12 months	4.814	1.278
- to be recovered within 12 months	547	837
Deferred income tax liabilities:		
- to be recovered after more than 12 months	2.814	4.918
- to be recovered within 12 months		
<b>Deferred income tax assets/liabilities (net)</b>	<u>2.547</u>	<u>(2.803)</u>

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**13. Property, plant and equipment**

	Land	Quarry land	Buildings	Machinery and equipment	Vehicles	Sub total	Construction in progress	Total
<b>Cost</b>								
At 1 January 2014	54,120	147,394	2,530,001	3,252,997	286,570	6,271,082	124,325	6,395,407
Additions during the period	-	-	-	1,804	-	1,804	118,271	120,075
Reclassification from/to another category	-	-	16,910	105,515	-	122,425	(122,425)	-
Sales / write off during period	-	-	-	(1,586)	(1,035)	(2,621)	(4,093)	(6,714)
<b>At 31 December 2014</b>	<b>54,120</b>	<b>147,394</b>	<b>2,546,911</b>	<b>3,358,730</b>	<b>285,535</b>	<b>6,392,690</b>	<b>116,078</b>	<b>6,508,768</b>
Additions during the period				2,205		2,205	83,824	86,029
Reclassification from/to another category			59,866	89,599	6,660	156,125	(156,125)	-
Sales / write off during period		(38)	-	(5,892)	(3,598)	(9,528)	(1,454)	(10,982)
<b>At 31 December 2015</b>	<b>54,120</b>	<b>147,356</b>	<b>2,606,777</b>	<b>3,444,642</b>	<b>288,597</b>	<b>6,541,492</b>	<b>42,323</b>	<b>6,583,815</b>
<b>Accumulated depreciation/depletion</b>								
At 1 January 2014	-	27,852	1,344,675	2,565,694	269,744	4,207,965	-	4,207,965
Charge for the period	-	4,577	69,827	106,968	2,935	184,307	-	184,307
Sales/ write off during period	-	-	-	(1,566)	(1,035)	(2,601)	-	(2,601)
<b>At 31 December 2014</b>	<b>-</b>	<b>32,429</b>	<b>1,414,502</b>	<b>2,671,096</b>	<b>271,644</b>	<b>4,389,671</b>	<b>-</b>	<b>4,389,671</b>
Charge for the period		4,577	70,907	108,180	4,412	188,076	-	188,076
Sales/ write off during period		-	-	(5,514)	(3,598)	(9,112)	-	(9,112)
<b>At 31 December 2015</b>	<b>-</b>	<b>37,006</b>	<b>1,485,409</b>	<b>2,773,762</b>	<b>272,458</b>	<b>4,568,635</b>	<b>-</b>	<b>4,568,635</b>
<b>Net book value</b>								
At 31 December 2015	54,120	110,350	1,121,368	670,880	16,139	1,972,857	42,323	2,015,180
At 31 December 2014	54,120	114,965	1,132,409	687,634	13,891	2,003,019	116,078	2,119,097

Depreciation expenses of RSD 188,076 thousand (2014: RSD 184,307 thousand) are charged under cost of sales and under administrative and selling expenses in income statement.



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**14. Investment in subsidiary**

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

<b>Subsidiary</b>	<b>As at 31 Dec 2015</b>	<b>As at 31 Dec 2014</b>
TCK Montenegro	7,966	7,966
<b>Total</b>	<b>7,966</b>	<b>7,966</b>

**15. Inventories**

	<b>As at 31 Dec 2015</b>	<b>As at 31 Dec 2014</b>
Material and fuel	109,113	177,024
Spare parts and other inventory	293,043	307,671
Packing materials	12,675	9,857
Work in progress	27,622	52,402
Finished products	44,557	49,902
Goods for resale	402	221
Advances for inventory	3,377	2,914
Provision for receivables for advances to suppliers	(2,095)	(2,095)
	<b>488,694</b>	<b>597,896</b>

Major portion of material and fuel as at 31 December 2015 amounting to RSD 61,723 thousand, RSD 8,060 thousand and RSD 5,390 thousand relates to petrol coke, slag and heavy oil, respectively.

**16. Trade receivables**

	<b>As at 31 Dec 2015</b>	<b>As at 31 Dec 2014</b>
Trade receivables	244,328	229,027
Trade receivables from related parties (Note 22)	98,312	115,097
Provision for impairment of receivables	(68,367)	(66,335)
	<b>274,273</b>	<b>277,789</b>

For term and conditions relating to related party receivables, refer to Note 22.

Trade receivables are non-interest bearing and are generally on terms of 5 to 60 days.

As at 31 December 2015, trade receivables at nominal value of RSD 68,367 thousand were provided for impairment (31 December 2014: RSD 66,335 thousand). See below for the movements in the provision for impairment of receivables.

	<b>Provision for impairment of trade receivables</b>
At 1 January 2014.	<b>49,154</b>
Charge for the year	18,523
Unused amounts reversed	(612)
Utilized during the year	(730)
<b>At 31 December 2014</b>	<b>66,335</b>
At 1 January 2015	<b>66,335</b>
Charge for the year	8,010
Unused amounts reversed	(5,026)
Utilized during the year	(952)
<b>At 31 December 2015</b>	<b>68,367</b>

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**16. Trade receivables (continued)**

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

Year ended 31 December 2015			Past due				
Description	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	244,328	33,878	51,611	22,994	20,326	635	114,884
Trade receivables-related parties	98,312	71,333	26,481	-	-	-	498
<b>Total</b>	<b>342,640</b>	<b>105,211</b>	<b>78,092</b>	<b>22,994</b>	<b>20,326</b>	<b>635</b>	<b>115,382</b>
Year ended 31 December 2014							
Trade receivables	229,027	16,334	78,144	31,971	18,388	10,837	73,353
Trade receivables-related parties	115,097	56,963	44,136	13,998	-	-	-
<b>Total</b>	<b>344,124</b>	<b>73,297</b>	<b>122,280</b>	<b>45,969</b>	<b>18,388</b>	<b>10,837</b>	<b>73,353</b>
Year ended 31 December 2015			Past due				
Description	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Provision of Trade receivables	68,367	-	-	-	-	-	68,367
Provision of Trade receivables-related parties	-	-	-	-	-	-	-
<b>Total</b>	<b>68,367</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,367</b>
Year ended 31 December 2014							
Trade receivables	66,335	-	-	-	-	-	66,335
Trade receivables-related parties	-	-	-	-	-	-	-
<b>Total</b>	<b>66,335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66,335</b>

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**17. Other receivables**

	<b>As at 31 Dec 2015</b>	<b>As at 31 Dec 2014</b>
Advances to suppliers for current assets	1,561	3,142
Other receivables from related parties (Note 22)	18,805	16,055
Receivables from employees	1,863	1,245
Accrued expenses	11,847	4,463
Receivables for funds lent to firms	6	6
Receivables for rent	99	45
Receivables for sales of property, plant and equipment	1,414	1,429
Income tax prepayment	2,452	-
Other receivables from the State	1,723	1,061
Other short term deposits	6,490	6,048
Other receivables	1,327	1,683
Other receivables, gross	<b>47,587</b>	<b>35,177</b>
Provision for receivables for funds lent to firms	(6)	(6)
Provision for receivables for employees	(48)	(48)
Provision for other receivables	(686)	(895)
Other receivables, net	<b>46,847</b>	<b>34,228</b>

As at 31 December 2015, other receivables at nominal value of RSD 740 thousand (2014: RSD 949 thousand) were provided for impairment. Movements in the provision for impairment of these receivables were as follows:

	Provision for impairment of receivables for funds lent to firms	Provision for receivables from employee	Provision for impairment of other receivables
<b>At 1 January 2014</b>	<b>6</b>	<b>48</b>	<b>598</b>
Charge for the year	-	-	320
Provision reversal	-	-	-
Utilized during the year	-	-	(23)
<b>At 31 December 2014</b>	<b>6</b>	<b>48</b>	<b>895</b>
<b>At 1 January 2015</b>	<b>6</b>	<b>48</b>	<b>895</b>
Charge for the year	-	-	180
Provision reversal	-	-	-
Utilized during the year	-	-	(389)
<b>At 31 December 2015</b>	<b>6</b>	<b>48</b>	<b>686</b>

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**18. Cash and cash equivalents**

	<u>As at 31 Dec 2015</u>	<u>As at 31 Dec 2014</u>
Cash at bank	112,751	11,400
Short-term bank deposits	1,008,279	935,371
	<u><b>1,121,030</b></u>	<u><b>946,771</b></u>

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

As at 31 December 2015 deposits that are placed with Vojvodjanska Bank are EUR 1,548 thousand and RSD 280,000 thousand; with EFG Bank RSD 87,000 thousand; with Societe Generale Bank EUR 1,001 thousand; with Raiffeisen Bank EUR 1,949 thousand; with Alpha bank EUR equivalent 416 thousand and EUR 358 thousand .

Average interest rates for short-term deposits in EUR is 0.33% per annum. For RSD deposits average interest rate is 3.01 % per annum.

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

**19. Stakes in Limited Liability Company**

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

As at 31 December 2015 the registered stake capital of the Company amounts to RSD 2,505,209 thousand.

**20. Other non-current liabilities and provisions**

	<u>As at 31 Dec 2015</u>	<u>As at 31 Dec 2014</u>
Retirement benefits	10,263	8,270
Provision for legal cases	172	345
Provision for jubilee awards	16,270	15,219
Provision for rehabilitation of quarries	7,990	8,109
	<u><b>34,695</b></u>	<u><b>31,943</b></u>

**Provisions for retirement benefits**

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

According to the evaluation of the certified actuary, the present value of the provision on 31 December 2015 was RSD 11,008 thousand (2014: 8,518 thousand) out of which RSD 10,263 thousand represented long-term portion (2014: 8,270 thousand). The principal actuarial assumptions used in calculation of provision were: discount rate – 9%, future salary increase 2 % per year up to 2020 and 4% per year after that.

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**20. Other non-current liabilities and provisions (continued)**

Movements in the provision for retirement reward were as follows:

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
<b>As at 1 January</b>	<b>8,270</b>	<b>14,455</b>
Utilized during the year	-	(186)
Unused amounts reversed	-	(5,999)
Additional provision	1,993	-
<b>Closing balance</b>	<b>10,263</b>	<b>8,270</b>

**Provision for legal cases**

There are 13 ongoing pieces of litigation against the Company. In all cases the Company is sued by ex-employees. In the opinion of the management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss as at 31 beyond the amounts provided December 2015.

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
<b>As at 1 January</b>	<b>345</b>	<b>345</b>
Utilized during the year	-	-
Unused amounts reversed	(173)	-
<b>Closing balance</b>	<b>172</b>	<b>345</b>

**Provisions for Jubilee awards**

Under the Collective agreement valid from December 1<sup>st</sup> 2014, the Company is obliged to pay Jubilee awards when the employee completes 10, 20 and 30 years of continuous employment within the Company.

Also, at the moment when the employee (women only) completes 35 years of continuous employment and when the employee (men only) completes 40 years of continuous employment within the Company.

The rewards are defined as follows:

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

According to the evaluation of the certified actuary, the present value of the provision on 31 December 2015 amounted to RSD 21,085 thousand (2014: 17,690 thousand) out of which RSD 16,271 thousand represented long-term portion (2014: 15,219 thousand). The principal actuarial assumptions used in calculation of provision were: discount rate – 9%, future salary increase 2 % per year up to 2020 and 4% per year after that.

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
<b>As at 1 January</b>	<b>15,219</b>	<b>14,149</b>
Unused amounts reversed	-	(1,150)
Utilized during the period	(661)	-
Additional provision	1,712	2,220
<b>Closing balance</b>	<b>16,270</b>	<b>15,219</b>

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**20. Other non-current liabilities and provisions (continued)**

<u>Provisions for Rehabilitation for quarries</u>	<u>For 12 months period ended 31-Dec-15</u>	<u>For 12 months period ended 31-Dec-14</u>
As at 1 January	8,109	7,907
Utilization	(163)	(233)
Unrealized exchange differences	44	435
<b>Closing balance</b>	<b><u>7,990</u></b>	<b><u>8,109</u></b>

The Company is obliged by the Law, to perform rehabilitation of limestone and marl quarries after exploitation is finished. According to the Study prepared by the experts in this area, and which contains dynamics and evaluation of involved expenses, calculation of the present value of the provision is made using the discounting rate of 10%. Final value of the provision on 31 December 2013, in the amount of RSD 7,907 thousand was in proportion with the discovered surface on the quarries up to end of 2013.

Since the exploitation of the minerals continues to take place on the discovered surfaces for which the provision was made at the end of 2013, the additional adjustment has not been made at the end of December 2015.

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**21. Trade and other payables**

	<u>As at 31 Dec 2015</u>	<u>As at 31 Dec 2014</u>
Trade payables	142,192	165,999
Advances received	12,952	6,353
Other taxes payable	18,926	4,563
Payables for salaries	14,460	13,860
Social insurance contributions on salaries	7,300	6,895
Accruals	-	11,340
Income tax payable	-	10,529
Payables to related parties (Note 22)	76,222	4,344
Dividend payable	300	300
Provision for retirement- current portion	745	248
Provision for Jubilee award- current portion	4,815	2,470
Tangible assets creditors	11,217	2,680
Other payables	20,439	2,498
	<b><u>309,568</u></b>	<b><u>232,079</u></b>

For terms and conditions relating to related parties, refer to Note 22.

The table below summarizes the maturity profile of the Company's current liabilities at 31 December 2015 based on contractual payments.

	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>More than 1 year</u>	<u>Total</u>
<b>Year ended 31 December 2015</b>				
Trade payables	145,297	3,362	4,750	153,409
Other payables	41,103	-	322	41,425
Payables to related parties	31,759	40,681	3,782	76,222
<b>Total</b>	<b>218,159</b>	<b>44,043</b>	<b>8,854</b>	<b>271,056</b>

	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>More than 1 year</u>	<u>Total</u>
<b>Year ended 31 December 2014</b>				
Trade payables	144,000	11,813	12,866	168,679
Other payables	26,468	1,324	323	28,115
Payables to related parties	1,300	1,724	1,321	4,345
<b>Total</b>	<b>171,768</b>	<b>14,861</b>	<b>14,510</b>	<b>201,139</b>

**Concession fee**

Since September 2013 concession fee have been RSD 23 per ton of extracted limestone and RSD 33 per ton of extracted marl. Total outstanding liability included in trade payables, as of 31 December 2015 amounted to RSD 2,121 thousand (31 December 2014: 2,725 thousand), while Profit and Loss has been charged by RSD 12,444 thousand (2014: 12,107 thousand) under "variable cost" (note 5)

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**22. Related parties transactions**

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

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

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
<b>Sales and services provided to related parties</b>		
TCK Montenegro- Montenegro	785,866	624,868
Titan Cement Company S.A., Athens-other operating income	500	-
Stari Silo Company doo	636	615
	<b>787,002</b>	<b>625,483</b>
	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
<b>Purchase of goods and services from related parties</b>		
Titan Cement Company S.A., Athens-cost of trading goods	9,471	8,516
Titan Cement Company S.A., Athens-Management fee	104,177	-
Titan Cement Company S.A., Athens-other purchases	2,375	952
Cementarnica Usje-crushed stone	66,258	-
Tithys Ltd, Cyprus	-	17,483
	<b>182,281</b>	<b>26,951</b>
	<b>As at 31-Dec-15</b>	<b>As at 31-Dec-14</b>
<b>Trade and other receivables</b>		
TCK Montenegro- Montenegro	99,030	115,097
Stari Silo Company doo	17,103	16,055
Titan Cement Company S.A., Athens	505	-
TITAN Antea Cement	486	-
	<b>117,124</b>	<b>131,152</b>
<b>Trade and other payables</b>		
TITHYS Ltd, Cyprus	-	562
Titan Cement Company S.A., Athens	38,508	3,782
Cementarnica Usje	37,714	-
	<b>76,222</b>	<b>4,344</b>

Sales to and purchases from related parties are generally made at normal market prices and conditions. Outstanding balances at year-end are unsecured and settlement occurs in cash. The Company has not raised any provision relating to amounts owed by related parties for the period ended 31 December 2015 and 31 December 2014. Such assessments are undertaken every financial year by examining financial position of each related party in question and the market in which it operates.

**Key management compensation**

Key management includes directors (executive and non-executive). The total compensation paid or payable to key management for employee services is RSD 30,451 thousand (2014: 29,614 thousand).



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**23. Financial risk management objectives and policies**

**Market risk**

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

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

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

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

	<i>Change in EUR rate</i>	<i>Effect on profit before tax in 000 RSD</i>
Year ended 31 December 2015	+10%	72,148
	-10%	-72,148
Year ended 31 December 2014	+10%	99,825
	-10%	-99,825

**Credit risk**

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

*Credit risk related to receivables* - The Company has no significant concentrations of credit risk. It has determined policies to ensure that wholesale of products are made to the customers with an appropriate credit history. Furthermore, receivables are often secured by solo bills or bank guarantees. Trade receivables as of 31 December 2015 are diversified. The maximum exposure of credit risk at the financial statements date is the carrying value of receivables stated in Note 16.

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

**Liquidity risk**

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

Maturity profile of the Company's liabilities is disclosed in Note 21.

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**23. Financial risk management objectives and policies (continued)**

**Capital management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or increase registered capital, following shareholders' approval. No changes were made in the objectives, policies or processes during the period ended 31 December 2015 and 31 December 2014.

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

	<b>For 12 months period ended 31-Dec-15</b>	<b>For 12 months period ended 31-Dec-14</b>
<b>Profit for the period</b>	<b>945,637</b>	<b>1,052,799</b>
<i>Add back:</i>		
Income tax	167,460	194,364
Depreciation expenses –cost of sales	183,535	180,481
Depreciation expenses –selling expenses	286	307
Depreciation expenses –administrative expenses	7,292	6,496
Finance income and expenses, net	(7,201)	(117,442)
<b>EBITDA</b>	<b>1,297,009</b>	<b>1,317,005</b>

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

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**24. Potential liabilities and operational risks**

**Overdraft and guaranties**

	As at 31 Dec 2015	As at 31 Dec 2014
Bank guarantee letters - asset	169,183	185,714
Bank guarantee letters – liability	75,230	75,766
Overdraft facility with Raiffeisen bank	240,000	230,000
Frame agreement for issuance of the letters of guarantee with Raiffeisen bank (unused)	70,721	9,677

Bank guarantee letters assets contain of guarantees received from customers in the amount of RSD 132,789 thousand, (in 2014: RSD 168,054 thousand), while the remaining amount of RSD 31,394 thousand is related to guarantees received from suppliers for prepayments.

Bank guarantee letters liability in the total amount of RSD 74,230 thousand (in 2014: RSD 75,766 thousand) have been issued in favor of suppliers.

**Taxation**

The periods that remain open to review by the tax and customs authorities with respect to tax liabilities is for the last five years. The taxation system in the Republic of Serbia is undergoing continual revision and amendment. However, there are still different interpretations of the fiscal legislations. The tax authorities may have different approaches to certain issues in different circumstances, and assess additional tax liabilities, together with additional payment interest and penalties. The Company's management considers the tax liabilities presented in these financial statements are fairly stated. Also, the TP Study for 2015 has not been finished yet, but the Company's management estimates that, taking into account the results of TP study for 2014 and the fact that in 2015 there were no significant changes in the transactions, that will not be a material impact on the result.

**Environmental matters**

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

**Operating environment of the Company**

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

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

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

**Events occurring after the reporting period**

There were not significant events after the reporting period.

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**25. Standards and Amendments issued but not effective yet**

Amendments to IAS 27

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendment to IFRS 7

The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

Amendments to IAS 34

IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report".

Amendments to IAS 1

The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

IFRS 9 Financial Instruments

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

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**25. Standards and Amendments issued but not effective yet (continued)**

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

*IFRS 15, Revenue from Contracts with Customers*

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

All the above mentioned new Standards and Amendments to IFRSs relevant to the Company effective for the financial years after 31 December 2015 are not expected to have a material impact on the Company.

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**Omladinskih brigada 88a**

**11 070, Belgrade**

**Republic of Serbia**

Dear Madams and Sirs,

This representation letter is provided in connection with your audit of the Financial Reporting Package ("IFRS Booklet") of the Titan Cementara d.o.o., Kosjeric for the year ended 31 December 2015, for the purpose of determining whether any material modifications should be made to the financial information for it to conform to the policies and instructions contained in the International Financial Reporting Standards ("IFRS").

We confirm that, to the best of our knowledge and belief:

***Financial reporting package***

- We have fulfilled our responsibilities for the preparation of IFRS booklet in accordance with the IFRS, the laws and regulations applicable to the Company in particular the IFRS booklet has been prepared to give the information required to be shown in accordance therewith.
- All transactions have been recorded in the accounting records and are reflected in the IFRS booklet.
- We confirm that we have reviewed the Company's accounting policies and estimation techniques relating to accounting estimates, and having regard to the possible alternative policies and techniques, the accounting policies and techniques selected for use in the preparation of the IFRS booklet financial information are appropriate to give a true and fair view for the Company's particular circumstances.
- Significant assumptions used by us in making accounting estimates, including those surrounding measurement at fair value, are reasonable.
- All events subsequent to the date of the IFRS booklet and for which the policies and instructions contained in the group accounting manual require adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the IFRS booklet as a whole. <sup>i</sup>
- The restatement made to correct a material misstatement in the prior period IFRS booklet that affects the comparative information has been appropriately accounted for and disclosed in accordance with the requirements of the policies and instructions contained in the group accounting manual.

The IFRS booklet discloses all matters of which we are aware that are relevant to the company's ability to continue as a going concern, including all significant conditions and events, mitigating factors and the company's plans. The company also has the intent and ability to take actions necessary to continue as a going concern.

#### ***Information provided***

- We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the group reporting package such as records, documentation and other matters.
  - Additional information that you have requested from us for the purpose of the audit
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain information and evidence.

#### ***Fraud and non-compliance with laws and regulations***

- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- We have disclosed to you the results of our assessment of the risk that the group reporting package may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - Component management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the group reporting package.
  - We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the company's group reporting package communicated by employees, former employees, analysts, regulators or others.
  - We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the group reporting package.

#### ***Related party transactions***

We have disclosed to you the identity of the company's related parties and all the related party relationships and transactions of which we are aware.

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the policies and instructions contained in the group accounting manual.

#### ***Litigation and claims***

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group reporting package and such matters have been appropriately accounted for and disclosed in accordance with the policies and instructions contained in the group accounting manual.

#### ***Additional representations***

Regarding bad debt provision, environmental provision, IAS 19 provision, an accounting estimate that was recognized/disclosed in the group reporting package:

- We used appropriate measurement processes, including related assumptions and models, in determining the accounting estimate in the context of the policies and instructions contained in the group accounting manual.
- Measurement processes were consistently applied from year to year.
- The assumptions appropriately reflect our intent and ability to carry out specific courses of action on behalf of the company, where relevant to the accounting estimates and disclosures.

- Disclosures related to accounting estimates are complete and appropriate under the policies and instructions contained in the group accounting manual.
- No subsequent event requires adjustment to the accounting estimates and disclosures included in the group reporting package.

The application of accounting policies is appropriate.

The following have been recognized, measured, presented or disclosed in accordance with the policies and instructions contained in the group accounting manual.

- Plans or intentions that may affect the carrying value or classification of assets and liabilities.
- Liabilities, both actual and contingent.
- Title to, or control over assets, liens or encumbrances on assets, and assets pledged as collateral.
- Aspects of laws, regulations and contractual agreements that may affect the group reporting package, including non-compliance].

*Information provided*

We have communicated to you all deficiencies in internal control of which we are aware.

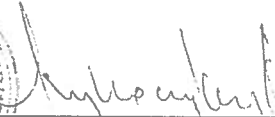
*Environmental matters*

Except as disclosed in the IFRS booklet, we are not aware of any material liabilities or contingencies arising from environmental matters, including those resulting from illegal or possibly illegal acts or any other environmental matters that may have a material impact on the group reporting package.

Yours faithfully



(CHIEF EXECUTIVE OFFICER)



(CHIEF FINANCIAL OFFICER)

Date, 12.02.2016.