



ANTEA CEMENT SH.A.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
WITH INDEPENDENT AUDITORS' REPORT THEREON

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Independent Auditor's Report

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

Our opinion

In our opinion, the standing alone financial statements present fairly, in all material respects, the financial position of ANTEA CEMENT SH.A. (the "Company") as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's standing alone financial statements comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the standing alone 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) that are relevant to our audit of the financial statements in Albania. 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 standing alone financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of the standing alone financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the standing alone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the standing alone 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 standing alone 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 standing alone 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 standing alone 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 standing alone financial statements, including the disclosures, and whether the standing alone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

PricewaterhouseCoopers Audit sh.p.k

PricewaterhouseCoopers Audit sh.p.k.
17 March 2017
Tirana, Albania



[Signature]
Statutory Auditor
Jonid Lamllari

ANTEA CEMENT SH.A.

STATEMENT OF COMPREHENSIVE INCOME

(Amounts in ALL thousands unless otherwise stated)

		Year ended 31 December 2016	Year ended 31 December 2015
	<i>Notes</i>		
Sales of products	6	4,373,020	5,524,772
Other revenues	7	147,187	304,755
Revenue		4,520,207	5,829,527
Cost of sales	8	(3,572,235)	(4,473,783)
Gross profit		947,972	1,355,744
Other income	9	94,576	91,553
Other expenses	10	(3,077)	(59,680)
Selling and marketing expenses	11	(90,165)	(141,113)
Administrative expenses	12	(470,536)	(470,667)
Operating profit before interest, taxes and impairment		478,770	775,837
Impairment of investment	18	(526,180)	-
Net finance costs	14	(478,489)	(346,595)
Profit before income taxes		(525,899)	429,242
Income tax expense	15	(26,422)	(89,476)
(Loss)/Profit for the year		(552,321)	339,766
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		(552,321)	339,766

The notes on pages 6 to 40 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

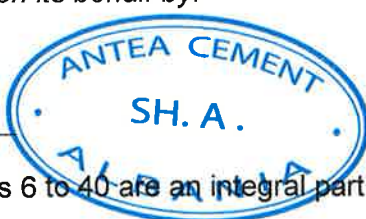
(Amounts in ALL thousands unless otherwise stated)

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	16	19,397,045	19,924,143
Intangible assets	17	7,774	9,491
Investments in subsidiary	18	829,931	1,217,991
		<u>20,234,750</u>	<u>21,151,625</u>
Current assets			
Inventories	19	1,721,744	1,848,164
Trade receivables	20	459,462	969,478
Other receivables	21	42,446	181,990
Receivables from related parties	27B	178,043	275,775
Cash and cash equivalents	22	975,997	825,474
		<u>3,377,692</u>	<u>4,100,881</u>
TOTAL ASSETS		<u>23,612,442</u>	<u>25,252,506</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	10,686,510	10,686,510
Accumulated losses		(5,466,377)	(4,914,056)
		<u>5,220,133</u>	<u>5,772,454</u>
Non-current liabilities			
Interest-bearing loans and borrowings	24A	15,133,515	16,471,949
Deferred tax liability	15	1,174,342	1,147,921
		<u>16,307,857</u>	<u>17,619,870</u>
Current liabilities			
Trade payables	25	609,653	662,020
Other payables	26	101,184	139,478
Interest-bearing loans and borrowings	24B	1,242,015	940,788
Payables to related parties	27D	131,600	117,896
		<u>2,084,452</u>	<u>1,860,182</u>
TOTAL EQUITY AND LIABILITIES		<u>23,612,442</u>	<u>25,252,506</u>

These financial statements have been approved by the management for the company on 06 March 2017 and signed on its behalf by:

Mario Bracci

Chief Executive Officer



Adrian Qirjako

Finance Director

The notes on pages 6 to 40 are an integral part of these financial statements.

ANTEA CEMENT SH.A.

STATEMENT OF CHANGES IN EQUITY

(Amounts in ALL thousands unless otherwise stated)

	Share capital	Accumulated losses	Total
As at 1 January 2015	10,686,510	(5,253,822)	5,432,688
Profit for the year	-	339,766	339,766
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	339,766	339,766
As at 31 December 2015	10,686,510	(4,914,056)	5,772,454
Net loss for the year	-	(552,321)	(552,321)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(552,321)	(552,321)
As at 31 December 2016	10,686,510	(5,466,377)	5,220,133

The notes on pages 6 to 40 are an integral part of these financial statements.

ANTEA CEMENT SH.A.

STATEMENT OF CASH FLOWS

(Amounts in ALL thousands unless otherwise stated)

	Notes	Year ended 31 December 2016	Year ended 31 December 2015
(Loss) / Profit before income tax		(525,899)	429,242
Cash flows from operating activities			
Adjustments for:			
Depreciation	16	793,044	779,140
Amortization	17	1,717	2,824
Losses on disposal of property, plant and equipment and intangible assets		345	27,936
Impairment of Investment		526,180	-
Movements in other provisions	26	(10,186)	13,273
Interest income	14	(302)	(1,728)
Interest expense	14	615,487	574,987
Foreign exchange translation differences		(158,947)	(245,073)
Operating cash flows before working capital changes		1,241,439	1,580,601
Decrease/(Increase) in inventories	19	126,420	(415,211)
Decrease/(Increase) in trade and other receivables	21,21	723,850	(121,281)
(Decrease)/Increase in trade and other payables	25,26	(54,741)	331,996
Changes in working capital			
Interest paid		(333,155)	(226,185)
Interest received		302	1,728
Net Cash flows from operating activities		1,704,115	1,151,648
Cash flows from investing activities			
Purchase of property, plant and equipment		(266,291)	(248,944)
Capital increase in subsidiaries		(138,120)	(140,070)
Net cash flows used in investing activities		(404,411)	(389,014)
Cash flows from financing activities			
Proceeds of borrowings		-	1,342,585
Repayment of borrowings		(1,132,938)	(1,579,355)
Payment of front fees		(2,875)	(40,578)
Net cash flows (used in)/from financing activities		(1,135,813)	(277,348)
Net increase/(decrease) in cash and cash equivalents		163,891	485,286
Cash and cash equivalents at 1 January	22	825,474	353,048
Effect of exchange rate changes on cash and cash equivalents		(13,368)	(12,860)
Cash and cash equivalents at 31 December	22	975,997	825,474

The notes on pages 6 to 40 are an integral part of these financial statements.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

1. CORPORATE INFORMATION

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

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

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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2016 and 2015. The Company maintains its accounting records and publishes its statutory financial statements in accordance with the Accounting Law no. 9228 dated April 29, 2008 "On Accounting and Financial Statements".

The number of employees as of 31 December 2016 is 193; (31 December 2015: 192).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

The separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated (refer to Note 5 for new and amended standards adopted by the Company).

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

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

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

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

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Investments in subsidiaries

Subsidiaries are those investees, including structured entities, that the Company controls because the Company (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Company has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Company may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Company assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Company from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are deconsolidated from the date on which control ceases. Investment in subsidiaries in the separate financial statements is measured at cost.

c. Foreign currency translation

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

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

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

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

d. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Company's activities, as described below. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Sales of goods. Revenues from sales of goods are 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**d. Revenue Recognition (Continued)*****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.

Interest Income

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

e. Taxes***Current income tax***

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Taxes (continued)

The carrying amount of deferred 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 tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year 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 (i.e. 15%).

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

f. Property, plant and equipment

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

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

Depreciation

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

Land Improvements	10 to 40 years
Buildings and improvements	10 to 40 years
Plant and machinery	5 to 40 years
Motor vehicles	5 to 15 years
Office furniture, computers	2 to 10 years

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

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Property, plant and equipment (continued)

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

g. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

h. Borrowing costs

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

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

i. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of comprehensive income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**i. Intangible assets (continued)**

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 is reviewed at least at the end of each reporting period. Changes 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 are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

Amortization of intangible assets with finite lives are as follows: Computer Software 5 years

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 statement of comprehensive income when the asset is derecognized.

j. Financial liabilities**Initial recognition and measurement**

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are 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. The Company's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and financial guarantee contracts.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized as well as through the effective interest rate method ('EIR') amortization process.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**j. Financial liabilities (continued)****Financial guarantee contracts**

Financial guarantee contracts issued by the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

De-recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

k. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

l. Inventories

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

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

Raw materials:

- Purchase cost on an average cost basis

Finished goods and work in progress:

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

m. Impairment on non-financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**m. Impairment on non-financial assets (continued)**

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

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

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

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

The following assets have specific characteristics for impairment testing:

Impairment of intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired.

n. Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognized on the trade date i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n. Financial asset (continued)

For the years ended as at 31 December 2016 and as at 31 December 2015, the Company did not hold any of the abovementioned financial assets other than trade and other receivables including related party receivables.

Trade and other receivables, including related party receivables

Trade and other receivables, including related party receivables are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. As stated above, provision is made when there is objective evidence (see below) that the Company will not be able to collect the debts. Bad debts are written off when identified.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or Group of financial assets is impaired.

In relation to trade and related party receivables, an allowance for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

o. Cash and short-term deposits

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 amortized cost using the effective interest method.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

p. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

q. Trade payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognized initially at fair value and subsequently carried at amortized cost using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

r. Comparatives

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

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

I. Estimates and assumptions

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

II. Impairment of receivables

Management maintains an allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful receivables, management bases its estimates on the ageing of accounts receivable, balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. At 31 December 2015 the best estimate of the allowance for impairment of receivables is **ALL 574,434 thousand** (2015: **ALL 574,434 thousand**). Further details are provided in Note 20.

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

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

IV. Taxes

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

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

V. Environmental restoration costs - Provisions for Forestation

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

**3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(CONTINUED)****V. Environmental restoration costs – Provisions for Forestation (continued)**

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

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

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

4. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

(i) Credit risk

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

(ii) Liquidity risk

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

(iii) Market risk*Interest rate risk*

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

Foreign exchange risk

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

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

Sensitivity analysis

In managing interest rate and currency risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates might have an impact on profit. At 31 December 2015 it is estimated that a change in the percentage of interest rates in the value of the ALL against other foreign currencies would not significantly impact the Company's profit before income tax.

(iv) Capital management

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

The Company is not subject to externally imposed capital requirements.

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

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements for the year ended 31 December 2015, except for the adoption of new standards and interpretations effective as of 1 January 2016.

The following amended standards became effective for the Company from 1 January 2016, but did not have any material impact on the Company.

- *IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).*
- *Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).*
- *Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).*
- *Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).*
- *Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).*
- *Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).*
- *Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016).*

**5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS
(CONTINUED)****Standards issued but not yet effective and not early adopted**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 or later, and which the Company has not early adopted. The Company is in the process of assessing the impact these changes will have on its accounts:

- *IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018)*
- *IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018).*
- *Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).*
- *IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019).*
- *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).*
- *Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).*
- *Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)*
- *Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).*
- *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (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 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).*
- *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).*
- *Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).*

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

6. SALES OF PRODUCTS

The sales reflected in the statement of comprehensive income are analysed as follows in terms of domestic and foreign markets as well as per type of product

	Year ended 31 December 2016	Year ended 31 December 2015
Cement products	4,432,567	5,035,778
Clinker	99,135	631,543
Imported cement	22,530	21,092
Discounts	(181,212)	(163,641)
Total	4,373,020	5,524,772

The sales of products are analysed as follows in terms of domestic and foreign market, as well as per type of product.

	Year ended 31 December 2016	Year ended 31 December 2015
<i>Sales</i>		
Domestic market	3,546,090	4,165,752
Foreign market	1,008,142	1,522,661
Discounts	(181,212)	(163,641)
Total	4,373,020	5,524,772
<i>Domestic market</i>		
Income from imported cement	22,530	21,092
Income from own cement	3,523,560	4,144,660
Discounts	(181,212)	(163,641)
Total	3,364,878	4,002,111
<i>Foreign market</i>		
Income from Cement	909,007	891,118
Income from Clinker	99,135	631,543
Total	1,008,142	1,522,661

7. OTHER REVENUES

The other revenues in the statement of comprehensive income are analysed as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Third party freight	145,886	291,641
Revenues from materials sold	1,301	13,114
Total	147,187	304,755

Revenues from sold materials in the amount of ALL 1,301 thousand on 31 December 2016 includes refractories, protective equipment and packing materials. On 31 December 2015, revenues from sold materials in the amount of ALL 13,114 included ALL 10,397 thousand from sales of pet coke to local companies in Albania.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

8. COST OF SALES

The Cost of sales in the statement of comprehensive income are analysed as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Variable Costs	2,220,673	3,125,665
Distribution expenses	382,194	758,580
Kiln fuel	686,622	991,195
Electricity	355,447	493,874
Raw materials & additives	295,209	308,138
Refractory	56,440	87,379
Fuel and oil	9,192	13,423
Royalty	32,081	48,237
Packing expenses	358,445	379,429
Cost of imported cement	16,820	18,834
Cost of materials sold	-	9,441
Other Items of variable cost	28,223	17,135
Fixed Costs	1,351,562	1,348,118
Salaries and related expenses (Note 13)	238,554	231,970
Repair and maintenance – spare parts	114,912	130,701
Services from third parties	171,516	156,823
Rent expenses	18,197	20,298
Plant utilities	6,656	6,728
Other fixed cost	53,477	64,846
Depreciation charges	731,857	718,118
Inventory variation	16,393	18,634
Total	3,572,235	4,473,783

Distribution Expenses are further detailed as follows for year ended 31 December 2016 and 2015:

	Year ended 31 December 2016	Year ended 31 December 2015
Distribution expenses related to domestic sales	186,286	379,618
Distribution expenses related to exports sales	124,044	156,275
Distribution expenses related to overseas transportation	71,864	222,687
Total	382,194	758,580

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NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

9. OTHER INCOME

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

	Year ended 31 December 2016	Year ended 31 December 2015
Income from sold inventory	379	48
Surplus of inventory	-	7,059
Income from sales of fixed assets	279	2,374
Excise reimbursement	80,787	75,422
Reversal of other provisions (Note 19/26)	11,696	-
Other Operating Income	1,435	6,650
Total	94,576	91,553

Reversal of other provisions during the year is related to provisions for inventory for ALL 4,118 thousand (Note 19), ALL 3,801 thousand provision for personnel costs and ALL 3,777 thousand related to provision for operational risk (Note 25)).(2015:Nil).

Other operating income in the amount of ALL 1,435 thousand relates to bonuses received from suppliers during the year (2015: ALL 6,625 thousand)

10. OTHER EXPENSES

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

	Year ended 31 December 2016	Year ended 31 December 2015
Net book value of sold assets/disposed assets	345	27,936
Other provisions	1,510	13,273
Losses of inventory	623	17,963
Other expenses	599	508
Total	3,077	59,680

2016: Other provision in the amount of ALL 1,510 thousands, relating to ALL 650 thousand for un-used holidays (Note 25) and ALL 860 thousand for additional personnel costs (Note 25);

2015: ALL 734 thousand were to provision for un-used holidays (Note 25), ALL 4,644 thousand provision for personnel costs (Note 25), ALL 3,777 thousand for operational risks (Note 25) and ALL 4,118 thousand provision for inventory in transit (Note19).

11. SELLING AND MARKETING EXPENSES

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

	Year ended 31 December 2016	Year ended 31 December 2015
Sales commissions fee	-	42,524
Salaries and related expenses (Note 13)	53,976	45,654
Utilities	19,310	24,052
Other expenses	16,879	28,883
Total	90,165	141,113

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

12. ADMINISTRATIVE EXPENSES

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

	Year ended 31 December 2016	Year ended 31 December 2015
Consultancy fees	127,555	142,535
Salaries and related expenses (Note 13)	87,581	83,228
Supplies	75,669	79,030
Depreciation	61,187	61,022
Insurance and taxes	53,056	32,825
Repairs and maintenance	18,168	20,138
Utilities	16,271	20,839
Travel-entertainment	4,987	4,525
Audit Fees	1,791	3,041
Amortization	1,717	2,824
Other Expenses	22,554	20,660
Total	470,536	470,667

13. EMPLOYEE BENEFITS EXPENSE

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

	Year ended 31 December 2016	Year ended 31 December 2015
Gross salaries	269,956	256,541
Other related expenses	110,155	104,311
Total	380,111	360,852
<i>Allocated to:</i>		
Cost of sales (note 8)	238,554	231,970
Selling and marketing expenses (note 11)	53,976	45,654
Administrative expenses (note 12)	87,581	83,228
Total	380,111	360,852

14. FINANCE COSTS

Net finance costs for years ended 31 December 2016 and 2015 are detailed as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Finance Income		
Interest income	302	1,728
Foreign exchange gain	572,770	554,456
Finance Income	573,072	556,184
Interest expense	(615,487)	(574,987)
Other financial costs	(13,699)	-
Bank charges	(8,552)	(18,411)
Foreign exchange losses	(413,823)	(309,381)
Finance Cost	(1,051,561)	(902,779)
Net finance Cost	(478,489)	(346,595)

Capitalized interest during the year amounts to nil (2015: nil).

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NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

15. INCOME TAX

The income tax expense comprises of:

	Year ended 31 December 2016	Year ended 31 December 2015
Current income tax charge	-	-
Deferred tax movement	(26,422)	(89,476)
Total	(26,422)	(89,476)

A reconciliation of Taxable Profit/Losses for the year ended 31 December 2016 and 31 December 2015 is provided as follows

	Year Ended 31 December 2016	Year Ended 31 December 2015
Accounting (loss)/profit before income tax	(525,899)	429,242
<i>Add Back:</i>		
Expenses not deductible for tax purposes	591,820	130,397
<i>Less:</i>		
Tax Depreciations	(258,026)	(384,894)
Non Taxable Income	(15,628)	3,932
Increase utilized loss carried forward	(207,733)	178,677
Utilization of Taxable Losses Carried Forward	-	(178,677)
Current income tax charge	-	-

As per the Albanian Tax legislation the tax losses can be carried forward for a period of 3 consecutive years. The tax loss carry forwards expire as follows:

	31 December 2016	31 December 2015	Tax loss carry-forwards expiring by the end of:
Taxable losses of year 2012	-	(2,599,750)	31 December 2015
Taxable losses of year 2013	(848,484)	(848,484)	31 December 2016
Taxable losses of year 2014	(337,037)	(337,037)	31 December 2017
Taxable losses of year 2016	(207,733)	-	31 December 2019
Of which available for utilization as at 31 December	(1,393,254)	(3,785,271)	
Carried Forward	(544,770)	(1,185,251)	

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

15. INCOME TAX (CONTINUED)

Deferred taxes analysed by type of temporary differences

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

	Statement of Financial Position		Statement of Comprehensive Income	
	31 December 2016	31 December 2015	2016	2015
Deferred tax assets				
Restoration provisions	-	-	-	-
Other provisions	1,381	1,278	103	105
Impairment of Receivables	66,505	54,329	12,176	(31,836)
	67,886	55,607	12,279	(31,731)
Deferred tax liabilities				
Accelerated tax depreciation/amortization	(1,242,228)	(1,203,528)	(38,701)	(57,745)
	(1,242,228)	(1,203,528)	(38,701)	(57,745)
Deferred tax (losses)	(1,174,342)	(1,147,921)	(26,422)	(89,476)

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

16. PROPERTY, PLANT AND EQUIPMENT

	Land and improvements	Buildings	Plant and machinery	Vehicles	Furniture and fittings	Electronic Equipment	Assets under construction	Total
Cost								
As at 1 January 2015	2,699,674	1,660,094	18,941,955	20,972	25,053	179,111	480,714	24,007,573
Additions	-	-	68	-	380	3,857	244,639	248,944
Transfers	38,991	7,671	279,882	-	-	-	(326,544)	-
Disposals	-	-	-	-	-	(93)	(8,638)	(8,731)
As at 31 December 2015	2,738,665	1,667,765	19,221,905	20,972	25,433	182,875	390,171	24,247,786
Additions	-	-	90	2,620	135	3,800	259,646	266,291
Transfers	-	-	120,995	-	-	-	(120,995)	-
Disposals	-	-	-	-	-	(72)	(279)	(351)
As at 31 December 2016	2,738,665	1,667,765	19,342,990	23,592	25,568	186,603	528,543	24,513,726
Accumulated Depreciation								
As at 1 January 2015	278,443	182,809	2,956,236	17,052	22,240	87,803	-	3,544,583
Charge for the year	63,903	41,184	651,947	1,474	2,200	18,432	-	779,140
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(80)	-	(80)
As at 31 December 2015	342,346	223,993	3,608,183	18,526	24,440	106,155	-	4,323,643
Charge for the year	64,271	41,536	666,991	1,360	415	18,471	-	793,044
Transfers	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	(6)	-	(6)
As at 31 December 2016	406,617	265,529	4,275,174	19,886	24,855	124,620	-	5,116,681
Net book value								
As at 31 December 2015	2,396,319	1,443,772	15,613,722	2,446	993	76,720	390,171	19,924,143
As at 31 December 2016	2,332,048	1,402,236	15,067,816	3,706	713	61,983	528,543	19,397,045

Included in "Assets under constructions" there are strategic spare parts amounting to ALL 330,095 thousand (2015; ALL 317,458 thousand).
No property, plant and equipment have been pledged as collateral as at 31 December 2016 (2015: none).

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NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

17. INTANGIBLE ASSETS

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

	Computer software	Intangible in progress	Total
Cost:			
As at 1 January 2015	28,897	19,873	48,770
Additions	-	-	-
Disposals		(19,285)	(19,285)
As at 31 December 2015	28,897	588	29,485
As at 1 January 2016	28,897	588	29,485
Additions	-	-	-
Disposals			
As at 31 December 2016	28,897	588	29,485
Accumulated Amortisation:			
As at 1 January 2015	17,170	-	17,170
Amortisation charge for the year	2,824	-	2,824
As at 31 December 2015	19,994	-	19,994
Amortisation charge for the year	1,717	-	1,717
As at 31 December 2016	21,711	-	21,711
Net book value:			
At 31 December 2015	8,903	588	9,491
At 31 December 2016	7,186	588	7,774

No intangible assets have been pledged as collateral as at 31 December 2016 (2015: none).

18. INVESTMENTS IN SUBSIDIARY

	31 December 2016	31 December 2015
ALBA CEMENTO SH.P.K	756,766	756,766
Impairment of investment in subsidiary	(526,180)	-
CEMENTI ANTEA SRL	599,345	461,225
Total	829,931	1,217,991

Albacemento is a fully owned subsidiary of the Company. Albacemento owns and operates a cement terminal in Tirana, providing logistical services to Antea. During the year, the Company carried out an impairment review of the related CGU. The review determined that the commercial viability of the terminal has decreased significantly. As a result, an impairment was recognised in the statement of profit or loss and other comprehensive income in the amount of ALL 526,180 thousand as at 31 December 2016.

Cementi Antea SRL – Italy is a fully owned subsidiary of the Company. Its main activity is Cement Trading through a rented terminal in Ortona, Italy. During 2016 the Company increased its share capital in its subsidiary in Italy, Cementi Antea srl by an amount of ALL 138,120 thousand (2015: ALL140,070 thousand).

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NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

19. INVENTORIES

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

	31 December 2016	31 December 2015
Raw materials	541,321	493,132
Spare parts	799,303	748,080
Packing materials	97,397	76,752
Semi-finished goods	115,667	115,961
Finished goods	61,392	77,491
Goods for resale	1,125	980
Other materials	105,539	87,243
Goods in Transit	-	252,643
Provision for inventories	-	(4,118)
Total	1,721,744	1,848,164

Movements in the provisions for inventory are shown as follows:

	31 December 2016	31 December 2015
Balance at 1 January	(4,118)	-
Charged during the year (Note 10)	-	(4,118)
Reversal during the year (Note 9)	4,118	-
Balance as at 31 December	-	(4,118)

20. TRADE RECEIVABLES

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

	31 December 2016	31 December 2015
Trade receivables	1,033,896	1,543,912
Less: Allowance for doubtful receivables	(574,434)	(574,434)
Trade Receivables Net	459,462	969,478

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

The Company considers a range of qualitative and quantitative factors in calculating impairment for trade receivables such as aging of receivables, past historical data of the customer as well as guarantees from the customer.

Movements in the allowance for doubtful receivables are as follows:

	31 December 2016	31 December 2015
Balance at 1 January	574,434	574,434
Impairment charge for the year (Note 10)	-	-
Write off of receivables	-	-
Balance as at 31 December	574,434	574,434

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NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

20. TRADE RECEIVABLES (Continued)

As at 31 December 2016 and 31 December 2015, the aging analysis of trade receivables is analysed as follows:

	31 December 2016	31 December 2015
Neither past due nor impaired	127,827	212,850
Past due but not impaired	67,324	151,263
up to 30 days	15,503	49,472
from 30 to 60 days	10,828	32,039
from 61 to 90 days	11,735	16,202
from 91 to 180 days	29,258	53,550
Past due 181 days +	838,745	1,179,799
from 181 days to 360 days	115,967	422,341
above 361 days	722,779	757,458
Trade receivables before allowances on doubtful receivables	1,033,896	1,543,912
Allowance for doubtful receivables	(574,434)	(574,434)
Net trade receivables	459,462	969,478

21. OTHER RECEIVABLES

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

	31 December 2016	31 December 2015
VAT receivables	-	41,384
Sundry debtors	7,427	8,116
Prepayments for supplies	9,008	14,628
Deferred expenses	25,516	63,828
Other taxes receivable	495	54,034
Total	42,446	181,990

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

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	31 December 2016	31 December 2015
Cash on hand in domestic currency	170	73
Cash on hand in foreign currency	13	295
Cash at bank in domestic currency	59,435	80,255
Cash at bank in foreign currency	916,379	744,851
Total	975,997	825,474

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NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

23. SHARE CAPITAL

<i>Authorized, issued and fully paid</i>	31 December 2016			31 December 2015		
	<i>Number of shares</i>	<i>% Holding</i>	<i>Face Value in ALL' 000</i>	<i>Number of shares</i>	<i>% Holding</i>	<i>Face Value in ALL' 000</i>
ALVACIM ltd – ordinary shares of ALL 2,000 each	4,274,604	80%	8,549,208	4,274,604	80%	8,549,208
IFC-ordinary shares of ALL 2,000 each	1,068,651	20%	2,137,302	1,068,651	20%	2,137,302
Total	5,343,255	100%	10,686,510	5,343,255	100%	10,686,510

24. BORROWINGS

A) LONG - TERM BORROWINGS

The Company has long - term loans as at 31 December 2016 and 31 December 2015 as follows:

	31 December 2016	31 December 2015
Alvacim ltd (Note 27)	9,780,077	9,920,850
IFC (Note 27)	2,445,019	2,480,212
Societe General Bank	577,084	846,483
Banka Kombetare Tregetare	1,031,250	1,406,250
Raiffeisen Bank	771,278	1,212,008
Alpha Bank	545,585	632,880
Deferred disbursement fee	(16,778)	(26,734)
Total	15,133,515	16,471,949

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

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

SOCIETE GENERAL

During 2016 the Company has repaid to Societe General Bank the amount of ALL 257,278 thousand. (31 December 2015: Nil)

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

The outstanding principal and accrued interest as at 31 December 2016 was ALL 862,816 thousand composed of ALL 577,084 thousand as long-term and ALL 285,732 thousand as short-term portion (31 December 2015: ALL 1,124,224 thousand composed of ALL 846,483 thousand as long-term and ALL 277,741 thousand as short-term portion).

Further on 14 December 2015 the Company signed a one year credit facility agreement with Societe General Bank Albania for the amount of Euro One Million. The facility is to be used exclusively for supporting the issuing of Bank Guarantees. On 14 December 2016 the facility was renewed for another year. The facility is secured against Corporate Guarantee from Titan Cement SA. As at 31 December

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NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

24. BORROWINGS (CONTINUED)

A) LONG - TERM BORROWINGS (CONTINUED)

2016 the Company has utilized the facility for issuing bank guarantees in the amount of Euro 540 thousand with maturity until February 2017.

During 2015, the Company fully repaid the Euro denominated loan facility with Societe Generale Bank for an amount of EUR 4.635 thousand equivalent of ALL 646,954 thousand, as a result the outstanding principal and accrued interests as at 31 December 2015 is nil.

BANKA KOMBETARE TREGETARE

During 2016 the Company has repaid to BKT the amount of ALL 93,750 thousand. During 2015, the Company repaid BKT the amount of ALL 350,000 thousand.

The outstanding principal and accrued interest as at 31 December 2016 is ALL 1,420,313 thousand composed of ALL 1,031,250 thousand as long term and ALL 389,063 thousand as short term, (31 December 2015: ALL 1,514,750 thousand composed of ALL 1,406,250 thousand as long term and ALL 108,500 thousand as short term).

On 31 July 2015 the Company agreed with BKT to extend the maturity of the Term Loan until 2020. The loan bears interest of 12m Tbills + a Margin. The loan is secured against corporate guarantee from Titan Cement S.A

RAIFFESIEN BANK ALBANIA

During 2016 the Company repaid to Raiffeisen Bank the amount of ALL 440,730 thousand. During 2015, the Company repaid Raiffeisen Bank the amount of ALL 471,263 thousand

On 06 October 2015 the Company agreed with Raiffeisen Bank to extend the maturity of the Term Loan until 2019. The loan bears interest of 12m T bills + a Margin. The loan is secured against corporate guarantee from Titan Cement S.A.

The outstanding principal and accrued interest as at 31 December 2016 is ALL 1,212,008 thousand composed of ALL 771,278 thousand as long term and ALL 440,730 thousand as short term (31 December 2015: ALL 1,652,738 thousand composed of ALL 1,212,008 thousand as long term and ALL 440,730 thousand as short term).

ALPHA BANK ALBANIA

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

During 2016 the Company repaid to Alpha Bank the amount of ALL 65,470 thousand, (2015: Nil).

The outstanding principal and accrued interest as at 31 December 2016 is ALL 634,316 thousand composed of ALL 545,585 thousand as long term and ALL 88,731 thousand as short term (31 December 2015: ALL 699,875 thousand composed of ALL 632,880 thousand as long term and ALL 66,995 thousand as short term).

On 7 October 2014 the Company concluded a one year revolving loan facility with Alpha Bank Albania for ALL 558,680 thousand. On 7 October 2015 and 07 October 2016 the facility was renewed for the respective annual periods. The loan bears interest of Tills + a Margin. The loan is secured against Corporate Guarantee from Titan Cement SA.

The amount of loan facility and accrued interest outstanding on 31 December 2016 is nil (31 December 2015: nil).

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

24. BORROWINGS (CONTINUED)

A) LONG - TERM BORROWINGS (CONTINUED)

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

	31 December 2016	31 December 2015
After one year but not more than two years	1,162,467	1,162,467
After two year but not more than five years	1,745,952	2,908,420
More than five years	12,225,096	12,401,062
Total	15,133,515	16,471,949

B) SHORT - TERM BORROWINGS

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

	31 December 2016	31 December 2015
<i>Borrowings from shareholders</i>		
Alvacim Accrued Interest (Note 27)	38,172	45,322
IFC Accrued Interest (Note 27)	9,543	11,456
<i>Subtotal</i>	<i>47,715</i>	<i>56,778</i>
<i>Borrowings From Financial Institutions</i>		
Societe General Bank	285,732	277,741
BKT	389,063	108,500
Raiffeisen Bank	440,730	440,730
Alpha Bank	88,731	66,995
Deferred disbursement fee	(9,956)	(9,956)
<i>Subtotal</i>	<i>1,194,300</i>	<i>884,010</i>
Total	1,242,015	940,788

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

25. TRADE PAYABLES

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

	31 December 2016	31 December 2015
Trade creditors third parties	579,430	648,753
Accruals for supplies	30,223	13,267
Total	609,653	662,020

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(Amounts in ALL thousands unless otherwise stated)

26. OTHER PAYABLES

	31 December 2016	31 December 2015
Client's advance payments	54,727	104,012
Social security	4,463	4,265
Payroll taxes	2,733	2,223
Other taxes	24,753	10,247
Due to employees	3,271	1,662
Other provisions	10,907	16,975
Other payables	330	94
Total	101,184	139,478

Other provisions relate to provisions for un-used days of vacation as well as other additional personnel costs. The movements in the provisions are shown as follows:

	31 December 2016	31 December 2015
Balance as at 1 January	16,975	7,820
Provision for un-used days of vacations (Note 10/9)	650	734
Provision for additional personnel costs (Note 10/9)	(2,941)	4,644
Provision for operational risks	(3,777)	3,777
Balance as at 31 December	10,907	16,975

27. RELATED PARTY TRANSACTIONS

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

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

A) Sales of goods and services

	Year ended 31 December 2016	Year ended 31 December 2015
TCK Montenegro – (Sales of cement)	213,113	156,419
Cementi Antea srl (Sales of cement)	303,096	292,377
Sharr Cem- (Sales of Clinker)	99,136	-
Sharr Cem- (raw materials, fixed assets)	245	-
Titan Cementara Kosjeric (recharge of Costs)	-	27
Titan Cement SA (Sales of services)	-	405
Alba Cemento Shpk (Sales of Assets)	335	2,374
Total	615,925	451,602

The major transactions are related with Cementi Antea srl and TCK Montenegro for sales of cement, (2015: The major transactions are related with Cementi Antea and TCK Montenegro for sales of cement). Outstanding balances arising from the transactions mentioned above are presented below:

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(Amounts in ALL thousands unless otherwise stated)

B) Receivables from related parties

	31 December 2016	31 December 2015
TCK Montenegro	55,102	25,384
Cementi Antea SRL	122,697	250,391
Sharrcem	244	-
Total	178,043	275,775

The major receivable is due from Cementi Antea srl for cement sold.

C) Purchases of goods and services

	Year ended 31 December 2016	Year ended 31 December 2015
Titan Cement S.A. –(Purchase of Goods)	16,703	6,986
Titan Cement S.A. – (Services)	205,180	208,954
Alba Cemento shpk – (Rent)	24,708	25,143
Albacem – (Rents)	3,144	46,367
Sharrcem	242	-
GAEA	-	3,061
Titan Cementara Kosjeric	-	549
Total	249,977	291,060

The major purchases during the year are from Titan Cement S.A. for various services and goods (2015: Major purchases during the year are from Titan Cement S.A. for various services and goods).

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

D) Payables to related parties

	31 December 2016	31 December 2015
Titan Cement S.A.	35,829	38,955
Albacem S.A.	56,311	54,452
Titan Cementara Kosjeric	-	548
GAEA	-	1,812
Albacemento shpk	39,460	22,129
Total	131,600	117,896

E) Loans from related parties/shareholders

Long-term Borrowings

	31 December 2016	31 December 2015
Alvacim Ltd	9,780,077	9,920,850
IFC	2,445,019	2,480,212
Total	12,225,096	12,401,062

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(Amounts in ALL thousands unless otherwise stated)

27. RELATED PARTY TRANSACTIONS (CONTINUED)

During 2008, the Company entered into several loan agreements for a total amount of Euro 84 million (the "Loan") to finance the construction of a green field cement factory in Boka Kuqe Borizane. There are no undrawn loan amounts at 31 December 2016 and 31 December 2015, respectively.

The loan agreements are as follows:

INTERNATIONAL FINANCE CORPORATION ("IFC")

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

During 2016 the company repaid to IFC the principal amount of Euro 399 thousand or the equivalent of ALL 55,097 thousand.

ALVACIM LTD (PARENT)

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

During 2016 the Company repaid to Alvacim the principal amount of Euro 1,595 thousand or the equivalent of ALL 220,612 thousand.

According to the Loan Facility Agreement on 15th September 2016, the Company deferred the accrued interest on Long term loans from ALVACIM, and IFC amounting to Euro 2,063 thousand or the equivalent of ALL 283,312 thousand, whereas on 15th of March 2016 the amount of Euro 702 thousand or the equivalent of ALL 97,015 thousand was paid to ALVACIM and IFC (2015: the amount of deferred interest for the interest period ended on 15 March 2015 and 15 September 2015 amounted to Euro 2,397 thousand or the equivalent of ALL 334,800 thousand).

Short-term Borrowings

	31 December 2016	31 December 2015
Alvacim accrued interest	38,172	45,322
IFC Accrued interest	9,543	11,456
Total	47,715	56,778

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NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

27. RELATED PARTY TRANSACTIONS (CONTINUED)

Interest Expense

	31 December 2016	31 December 2015
Alvacim interest expense	310,958	261,735
EBRD interest expense	-	3,811
IFC interest expense	74,187	66,513
Total	385,145	332,059

Except for short-term employee benefits to key management personnel amounting to ALL 44,346 thousand (2015: ALL 37,980 thousand), no other compensations to key management were given by the Company.

Nature of relationship with related parties

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

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Company has not made any allowance for doubtful debts relating to amounts owed by related parties (2015: Nil). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

a) Interest risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's long-term debt obligations with a floating interest rate. At 31 December 2016 (31 December 2015: Nil) no interest rate swaps were agreed, which makes 100% of the Company's borrowings to be at a variable rate of interest.

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28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

	31 December 2016	31 December 2015
Fixed rate interest		
Financial assets	-	-
Financial liabilities	-	-
Variable rate interest	16,375,530	17,412,737
Financial assets	-	-
Financial liabilities	16,375,530	17,412,737

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

	31 December 2016		31 December 2015	
	Increase/Decrease in Basis/Point	Effect on Profit Before Tax	Increase/Decrease in Basis/Point	Effect on Profit Before Tax
EUR	20	24,450	20	24,802
ALL	100	29,084	100	40,709
EUR	(20)	(24,450)	(20)	(24,802)
ALL	(100)	(29,084)	(100)	(40,709)

b) Foreign exchange risk

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

<i>In thousands</i> ALL	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Albanian Lek	85,552	(4,531,743)	(4,446,191)
Euro	1,286,741	(12,683,555)	(11,396,814)
USD	283,655	(2,669)	280,986
Total 2016	1,655,948	(17,217,967)	(15,562,019)

<i>In thousands of</i> ALL	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Albanian Lek	241,009	(5,298,940)	(5,057,931)
Euro	1,343,144	(12,836,161)	(11,493,017)
USD	668,564	(197,029)	471,535
Total 2015	2,252,717	(18,332,130)	(16,079,413)

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(Amounts in ALL thousands unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2016	2015	2016	2015
EUR/ALL	137.36	139.73	135.23	137.28

The company's main exposure is toward the Euro as such a change of +/- 5% in exchange rate of Euro to ALL at the reporting date would have increased/(decreased) equity and profit /(loss) by ALL (569,841) thousand (2015 – ALL 571,812 thousand).

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2016 and 2015, based on contractual undiscounted payments.

Year ended 31 December 2016

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long-term borrowings	-	-	-	4,182,702	12,280,276	16,642,978
Short-term borrowings	-	462,380	1,134,081	-	-	1,596,461
Trade and other payables	-	710,841	131,596	-	-	842,437

Year ended 31 December 2015

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Long-term borrowings	-	-	-	5,269,212	12,444,518	17,713,730
Short-term borrowings	-	443,954	939,911	-	-	1,383,865
Trade and other payables	-	800,058	119,336	-	-	919,934

d) Credit risk

The Company has no significant concentrations of credit risk. The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any one customer. In addition, to reduce this risk the Company has required as collateral bank guarantees and deposits. Recognisable risks are accounted for by adequate provisions on receivables.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and short-term borrowing receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

d) Credit risk (continued)

	31 December 2016	31 December 2015
Trade and other receivables (Note 20, 21)	501,908	1,151,468
Cash and cash equivalents (Note 22)	975,997	825,474
Total	1,477,905	1,976,942

29. FAIR VALUES

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

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

Financial assets	Carrying amount		Fair Value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Cash and Banks	975,997	825,474	975,997	825,474
Trade receivables	459,462	969,478	459,462	969,478
Related Parties	178,043	275,775	178,043	275,775
Other receivables	42,446	181,990	42,446	181,990
Total	1,655,948	2,252,717	1,655,948	2,252,717

Financial Liabilities	Carrying amount		Fair Value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Trade accounts payable	609,653	662,020	609,653	662,020
Related parties	131,600	117,896	131,596	117,896
Bank loan/short-term loans	1,242,015	940,788	1,242,015	940,788
Other payables	101,184	139,478	101,188	139,478
Long-term debts	15,133,515	16,471,949	15,133,515	16,471,949
Total	17,217,967	18,332,131	17,217,967	18,332,131

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

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2015, the carrying amounts of such receivables / borrowings, net of allowances, are not materially different from their calculated fair values.

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

29. FAIR VALUES (CONTINUED)

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. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following shareholders' approval.

No changes were made in the objectives, policies or processes during the year ended 31 December 2015 and the current year 2016.

The Company monitors its economic performance using profit before interest, taxes, depreciation, amortisation and impairment (EBITDA). EBITDA for the years ending 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Operating profit before interest, taxes and impairment	478,770	775,837
Depreciation and amortization expense	794,761	781,964
EBITDA	1,273,531	1,557,801

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

31. COMMITMENTS AND CONTINGENCIES

A) COMMITMENTS

	31 December 2016	31 December 2015
No later than 1 year	23,287	16,402
Later than 1 but no later than 5 years	30,846	30,561
More than 5 years	63,446	65,894
Total	117,579	112,857

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

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

ANTEA CEMENT SH.A.

NOTES TO THE FINANCIAL STATEMENTS

(Amounts in ALL thousands unless otherwise stated)

31. COMMITMENTS AND CONTINGENCIES (CONTINUED)

B) TAXATION

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

C) LITIGATIONS

At 31 December 2016, the Company was involved in litigation proceedings as a defendant with a third party raising claims in relation to the costs of an entry road utilised by the Company, constructed in 2010 (Case 1). The case was lodged in front of the District Court of Kruja which ruled to partially accept the claim. The total amount of liabilities to be paid by the Company amounted to ALL 68,000 thousand. At the same time the Company in a separate court proceeding claimed from the above plaintiff an un-settled obligation of Euro 58 thousand for supply of cement (Case 2). The defendant, as a response, presented in court the counter claim related to the cost of the construction of the entry road utilised by the Company subject of the above litigation. The Kruja district court ruled in favour of both parties, thus recognizing the debt of the defendant toward the Company for Euro 58 thousand equivalent in ALL 7,965 thousand and the counterclaim of the defendant toward the Company for the amount of ALL 57,021 thousand. Management of the Company intends to vigorously defend the Company's position in both court cases thus with regards to the Case 2 has applied to Tirana Court of Appeal while, with regards to Case 1, during 2016 the Court of Appeal dismissed the Judgement of the Kruja District Court and ruled for a new trial in the Kruja District Court. Against this judgement the Company filed an appeal to Supreme Court. On the basis of its own estimates and both external legal advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been booked in these financial statements.

32. EVENTS AFTER THE REPORTING PERIOD

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