



TITAN
CEMENTARA KOSJERIĆ

“TITAN CEMENTARA KOSJERIC” DOO
FINANCIAL STATEMENTS
FOR THE GROUP CONSOLIDATION PURPOSES
FOR THE YEAR ENDED 31 DECEMBER 2016

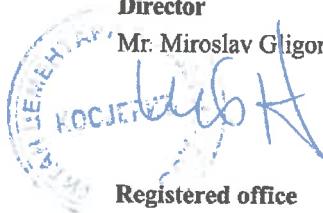
TITAN CEMENTARA KOSJERIC DOO
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
PREPARED FOR THE GROUP CONSOLIDATION PURPOSES

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

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Director

Mr. Miroslav Gligorijević



Registered office

Titan Cementara Kosjeric doo
Zvojina Misica bb
31260 Kosjeric
Republic of Serbia

Auditor

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



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Titan Cementara Kosjerić d.o.o., Kosjerić (the "Company") which comprise the statement of financial position as of 31 December 2016 and the statement of profit and loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards.

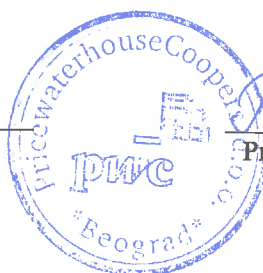


Restriction of use

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

Milivoje Nešović

Milivoje Nešović
Licensed Auditor



PricewaterhouseCoopers d.o.o.
PricewaterhouseCoopers d.o.o., Beograd

Belgrade, 13 February 2017

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Income statement

	Notes	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Sales	4	4,126,632	3,784,409
Cost of sales	5	<u>(2,327,763)</u>	<u>(2,356,959)</u>
Gross profit		1,798,869	1,427,450
Other operating income	6	24,282	36,384
Selling expenses	8	(32,952)	(32,328)
Administrative expenses	9	(310,092)	(303,227)
Other operating expenses	7	<u>(69,954)</u>	<u>(22,383)</u>
Profit from operating activities		1,410,153	1,105,896
Finance income/(expenses), net	11	<u>18,349</u>	<u>7,201</u>
Profit before taxation		1,428,502	1,113,097
Income tax expense	12	<u>(217,174)</u>	<u>(167,460)</u>
Profit for the period		<u>1,211,328</u>	<u>945,637</u>
Attributable to:			
Owners of the parent		<u>1,211,328</u>	<u>945,637</u>

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Statement of comprehensive income

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Profit for the period	1,211,328	945,637
Other comprehensive income	-	-
Total comprehensive income for the period	<u>1,211,328</u>	<u>945,637</u>
Attributable to:		
Owners of the parent	<u>1,211,328</u>	<u>945,637</u>

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Statement of financial position

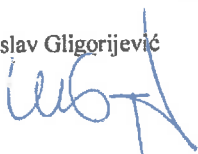
	Notes	As at 31 Dec 2016	As at 31 Dec 2015
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,860,259	1,972,857
Construction in progress	13	94,120	42,323
Intangible Assets		1,969	5,046
Investment in subsidiary	14	7,966	7,966
Deferred tax assets-net	12	7,159	2,547
		<u>1,971,473</u>	<u>2,030,739</u>
Current assets			
Inventories	15	472,470	488,694
Trade receivables	16	305,911	273,775
Other receivables	17	42,481	46,840
Cash and cash equivalents	18	1,534,925	1,121,030
		<u>2,355,787</u>	<u>1,930,339</u>
Total assets		<u><u>4,327,260</u></u>	<u><u>3,961,078</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Shares	19	2,505,209	2,505,209
Reserves		166,474	166,474
Retained earnings/(losses)		-	-
Current period result		1,211,328	945,637
		<u>3,883,011</u>	<u>3,617,320</u>
Non-current liabilities			
Other non-current liabilities	20	43,369	34,695
Deferred tax liabilities-net	12	-	-
Current liabilities			
Trade and other payables	21	400,880	309,063
Total Liabilities		<u>444,249</u>	<u>343,758</u>
Total equity and liabilities		<u><u>4,327,260</u></u>	<u><u>3,961,078</u></u>

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

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


Mr. Miroslav Gligorijević

Director




Slavica Vukosavljević

Finance Director



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Statement of Changes in Equity

	Ordinary shares	Reserve	Retained earnings	Current period result	Total
Balance at 1 January 2015	2,505,209	166,474	-	1,052,799	3,724,482
Adjustment	-	-	-	1,673	1,673
Adjusted Balance at 1 January 2015	2,505,209	166,474	-	1,054,472	3,726,155
Profit for the period	-	-	-	945,637	945,637
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	945,637	945,637
Transfer to retained earnings	-	-	1,054,472	(1,054,472)	-
Dividends distribution	-	-	(1,054,472)	-	(1,054,472)
Balance at 31 December 2015	2,505,209	166,474	-	945,637	3,617,320
	Ordinary shares	Reserve	Retained earnings	Current period result	Total
Balance at 1 January 2016	2,505,209	166,474	-	945,637	3,617,320
Adjustment	-	-	-	55	55
Adjusted Balance at 1 January 2016	2,505,209	166,474	-	945,692	3,617,375
Profit for the period	-	-	-	1,211,328	1,211,328
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	1,211,328	1,211,328
Transfer to retained earnings	-	-	945,692	(945,692)	-
Dividends distribution	-	-	(945,692)	-	(945,692)
Balance at 31 December 2016	2,505,209	166,474	-	1,211,328	3,883,011

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Statement of cash flow

	Notes	For 12 months period ended 31-Dec-16	For 12 months period ended 31- Dec-15
<i>Cash flows from operating activities</i>			
Profit after taxation		1,211,328	945,637
Adjustments for:			
Tax	12	217,174	167,460
Depreciation and amortization expense		187,214	191,113
Interest income	11	(12,209)	(4,565)
Interest expenses and Bank Charges		2,502	2,385
(Gain) / Loss on sale of property, plant and equipment		-	(217)
Loss on disposals of fixed assets		16	1,868
Effects of exchange rate changes	11	(8,642)	(5,021)
Operating cash flows before working capital Changes		1,597,383	1,298,660
Changes:			
(Increase)/decrease in trade and other Receivables		(30,222)	(6,155)
(Increase)/decrease in inventory		16,224	109,202
Increase/(decrease) in trade and other payables		45,057	81,737
Decrease in other long term assets		-	-
Cash generated from operations		1,628,442	1,483,444
Interest and Bank charges paid		(2,502)	(2,385)
Tax paid		(155,847)	(184,121)
Net cash from operating activities		1,470,093	1,296,938
<i>Cash flows from investing activities</i>			
Acquisition of subsidiary		-	-
Disposal of Subsidiary, Net of Cash Disposed		-	-
Fair value gains on Participation Investment in Subsidiary		-	-
Purchase of property, plant and equipment		(131,357)	(77,492)
Purchase of intangible assets		-	(517)
Interest received		12,209	4,565
Proceeds from sale of property, plant and Equipment		-	216
Net cash used in investing activities		(119,148)	(73,228)
<i>Cash flows from financing activities</i>			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		(945,692)	(1,054,472)
Net cash from financing activities		(945,692)	(1,054,472)
Effects of exchange rate changes		8,642	5,021
Net increase/(decrease) in cash		413,895	174,259
Cash at the beginning of period	18	1,121,030	946,771
Cash at the end of period	18	1,534,925	1,121,030

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1. General information

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

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

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

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

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

The Company employed 218 people as at 31 December 2016 (as at 31 December 2015: 233 people).

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2. Summary of significant accounting policies and accounting estimates

2.1. Basis of preparation

These Financial Statements for the year ended 31 December 2016 were prepared in accordance with International Financial Reporting Standards (IFRS) and are not the statutory accounts of the Company. The Company maintains its books and records in accordance with accounting and taxation principles and practices mandated by legislation in the countries in which it operates (primarily Serbian). The accompanying Financial Statements were primarily derived from the Company's statutory books and records with adjustments and reclassifications made to present them in accordance with International Financial Reporting Standards (IFRS). The sole purpose of the financial statements is to be used in connection and preparation of consolidated financial statements of Titan Cement Company S.A.

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

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

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

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

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

Amendment to IFRS 7

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

Amendments to IAS 34

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

Amendments to IAS 1

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

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2.2. Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

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

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

2.3. Property, plant and equipment

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

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

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

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

Depreciation rates are set as follows:

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

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2.3. Property, plant and equipment (continued)

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

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

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

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

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

2.4. Non-derivative financial assets

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

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

Loans and Receivables

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

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

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

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2.5. Non-Derivative Financial Liabilities

Trade Payables

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

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

2.6. Cash and cash equivalent

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

2.7. Investments in subsidiaries

Investments in subsidiaries are accounted at cost.

2.8. Inventories

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

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

2.9. Provisions

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

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

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

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2.10. Current and deferred income tax

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

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

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

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

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

2.11. Employee benefits

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

2.12. Revenue recognition

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

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

Sales of goods – wholesale

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

Freight revenue

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

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3. Critical accounting estimates and judgments

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

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

Retirement benefits and jubilee awards

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

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

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

Useful lives of Property, Plant and Equipment

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

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

Were the estimated useful lives to differ by 10% from management’s estimates, the impact on depreciation for the year ended 31 December 2016 would be to increase/decrease it by RSD 17,976 thousand (2015: RSD 18,359 thousand).

Depletion – estimated reserves

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

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4. Sales

	For 12 months period ended 31-Dec-16	For 12 months period ended 31- Dec-15
Sales revenue cement Serbia	3,115,344	2,807,490
Sales revenue cement Montenegro	891,563	784,649
Sales revenue cement Croatia	110,066	97,976
Sales revenue cement Kosovo	9,659	21,411
Sales revenue crushed stone Serbia	-	72,883
Total	4,126,632	3,784,409

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5. Cost of sales

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Variable		
Kiln fuel	344,599	344,140
Raw material	149,698	143,360
Electricity power	251,324	198,724
Fuel and oil	40,033	47,087
Refractory	18,417	26,347
Grinding media	4,376	5,487
Concession fees	15,153	12,444
Third party Labor Quarry	52,860	33,758
Other variable costs	6,766	7,807
Total variable cost	883,226	819,154
Fixed		
Salaries	339,517	347,041
Training	3,370	4,296
Maintenance spare parts	57,199	60,306
Third parties services	30,479	48,921
Lining	731	2,850
Insurance and taxes	26,879	27,606
Plant utilities	5,574	5,321
Heating expenses	3,788	5,202
Petty inventory and consumables	9,901	10,949
Cement quality control and certification	7,303	9,151
Health and safety at work	2,639	2,520
Car expenses	2,614	2,733
Material for laboratory	2,776	2,538
Environmental protection costs	3,527	4,000
Stationary	2,461	2,849
Other fixed costs	7,412	9,378
Total fixed cost	506,170	545,661
Packing		
Salaries	50,038	49,084
Training	363	373
Bags and folio	96,229	84,297
Pallets	55,638	53,147
Electricity power	4,009	3,274
Fuel and oil	2,005	1,183
Maintenance spare parts & Third parties maintenance	9,606	8,641
Insurance	753	951
Other expenses	4,694	5,033
Total packing cost	223,335	205,983
Inventory (Increase)/Decrease	(636)	30,125
Depreciation	179,236	183,535
Distribution Expenses		
Third parties services transportation	517,085	485,923
Custom and related expenses	2,987	2,589
Other	5	2,578
Total distribution costs	520,077	491,090
Cost of Trading Goods	16,355	81,411
Total Cost of Sales	2,327,763	2,356,959

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

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6. Other operating income

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Revenue from sales of material	1,260	2,132
Collection of the receivables for which provision was made	383	5,412
Revenue from other operating activities	379	130
Profit on sales of fixed assets	-	217
Reversal of unused provisions for retirement (long-term)	387	-
Reversal of unused provisions for retirement (short-term)	745	-
Reversal of unused provisions for jubilee awards (long-term)	403	-
Reversal of unused provisions for jubilee awards (short-term)	95	-
Revenue from tax returns	-	4,113
Internal revenue	5,308	4,322
Other income	15,322	20,058
Total other operating income	24,282	36,384

7. Other operating expenses

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Impairment of accounts trade receivable	1,111	8,187
Provision for retirement benefits(long-term)	4,435	1,993
Provision for retirement benefits (short-term)	126	497
Provision for jubilee awards (long term)	1,108	661
Provision for jubilee awards (short-term)	3,876	2,470
Litigation provision	4,800	-
Staff leaving indemnities (including VELP)	33,870	-
Local road reconstruction expenses	10,196	-
Other expenses	10,432	8,575
Total other operating expenses	69,954	22,383

8. Selling expenses

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Salaries	27,338	26,423
Training	106	290
Traveling & Car Expenses	3,624	4,102
Other	1,455	1,227
Depreciation	429	286
	32,952	32,328

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9. Administrative expenses

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Management fees – see Note 22	98,731	104,177
Salaries	100,047	98,572
Training and education	3,767	5,114
Donation to Municipality	2,483	1,272
Donations	19,871	16,127
Communication	1,530	630
Consulting services	8,151	6,464
Legal and court fees	1,646	2,269
Entertainment	5,380	3,590
Car expenses	8,434	8,728
Business trip	2,247	2,347
Membership fees	4,369	5,936
Third party labor	18,792	18,539
Rents	4,421	4,510
Heating for offices	1,188	1,631
Fees and taxes	1,222	1,547
Cement Industry organization - services	2,607	1,897
Stationery	1,620	1,700
Advertising	1,736	763
Petty inventory and consumables	585	1,864
Electricity	1,069	1,215
Postal costs	1,288	1,083
Health and Safety	369	303
Trash removing	574	644
PR services	3,099	409
Other costs	7,317	4,604
Depreciation & Amortization	7,549	7,292
	<u>310,092</u>	<u>303,227</u>

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

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10. Expenses by nature

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Cost of energy	655.013	611.155
Transportation expenses	540.662	492.338
Salaries	515.847	521.120
Cost of materials	319.981	307.116
Depreciation & Amortization	187.214	191.113
Consultancy fees	105.931	110.854
Other expenses	76.953	60.632
Spare parts & Petty inventory	70.489	80.901
Third party services - maintenance	49.532	56.419
Taxes	38.506	33.808
VELP	33.870	-
Services related to mineral reserves exploitation	30.314	28.421
Rent	17.141	17.267
Cost of trading goods	16.354	81.409
Provisions	14.344	9.017
Stationary and consumables	14.150	16.636
Donations	12.953	9.725
Training	8.459	10.073
Insurance	7.975	9.915
Hospitality	6.761	4.307
Cement quality control	5.621	7.599
Grinding media & Lining	5.107	8.337
Membership fees	4.369	5.936
Cost of Health and Safety	2.740	2.488
Provision for bad and doubtful debts	1.111	8.186
Inventory (increase)/decrease	(636)	30.125
	<u>2,740,761</u>	<u>2,714,897</u>

11. Finance income and expenses

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Finance income		
Bank interest and related income	12,209	4,565
Foreign exchange gain	12,936	18,561
Total finance income	<u>25,145</u>	<u>23,126</u>
Finance expenses		
Bank charges	(2,502)	(2,385)
Foreign exchange loss	(4,294)	(13,540)
Total finance expenses	<u>(6,796)</u>	<u>(15,925)</u>
Finance income and expenses, net	<u>18,349</u>	<u>7,201</u>

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12. Taxation

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Current Income Tax	221,786	172,810
Deferred income tax expense / (income)	(4,612)	(5,350)
	217,174	167,460

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

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Accounting profit for the 12 months period ended 31 December	1,428,502	1,113,097
<i>Add back:</i>		
Accounting depreciation	187,214	191,113
Provisions	-	6,527
Non business expenses	12,789	7,249
Penalties and capital loss	123	127
Impact of transfer pricing	732	1,069
Retirement Benefits calculated but not paid in the tax period for which it filed tax statement	4,560	2,490
Tax calculated but not paid in the tax period for which it filed tax statement	5,338	3,647
Rewards for Working Experience calculated but not paid in the tax period for which it filed tax statement	4,984	-
Employee Related Expenses calculated but not paid in the tax period for which it filed tax statement	410	-
Litigation Provision calculated but not paid in the tax period for which it filed tax statement	3,800	-
Other	2,389	3,838
<i>Less:</i>		
Depreciation for tax purposes	(162,273)	(172,536)
Taxes calculated in the previous and paid in the tax period for which it filed tax statement	(3,645)	(4,553)
Rewards for Working Experience calculated in the previous and paid in the tax period for which it filed tax statement	(4,720)	-
Reversed unused long term provisions	(1,630)	-
Tax basis	1,478,573	1,152,068
Tax at 15% (2015: 15%)	221,786	172,810
Current income tax	221,786	172,810
Deferred income tax expense/(income)	(4,612)	(5,350)
	217,174	167,460

The weighted average applicable tax rate was 15.5% (2015: 15.5%).

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12. Taxation (continued)

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

Deferred tax liabilities	Accelerated tax depreciation
At 1 January 2015	4,918
Charged/(credited) to the income statement	(2,104)
Charged directly to equity	
As 31 December 2015	2,814
Charged/(credited) to the income statement	(2,814)
Charged directly to equity	
As 31 December 2016	-

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

Deferred tax assets	Retirement benefit obligation	Provisions for rewards for working experience	Non paid taxes	Tax depreciation	Litigation Provision	Employee related expenses
At 1 January 2015	1,278	-	837	-	-	-
Charged/(credited) to the income statement	373	3,163	(290)	-	-	-
As 31 December 2015	1,651	3,163	547	-	-	-
Charged/(credited) to the income statement	514	(35)	254	408	596	61
As 31 December 2016	2,165	3,128	801	408	596	61

	2016	2015
Deferred income tax assets:		
- to be recovered after more than 12 months	6,297	4,814
- to be recovered within 12 months	862	547
Deferred income tax liabilities:		
- to be recovered after more than 12 months	-	2,814
- to be recovered within 12 months	-	-
Deferred income tax assets/liabilities (net)	7,159	2,547

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13. Property, plant and equipment

	<u>Land</u>	<u>Quarry land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles</u>	<u>Sub total</u>	<u>Construction in progress</u>	<u>Total</u>
Cost								
At 1 January 2015	<u>54,120</u>	<u>147,394</u>	<u>2,546,911</u>	<u>3,358,730</u>	<u>285,535</u>	<u>6,392,690</u>	<u>116,078</u>	<u>6,508,768</u>
Additions during the period	-	-	-	2,205	-	2,205	83,824	86,029
Reclassification from/to another category	-	-	59,866	89,599	6,660	156,125	(156,125)	-
Sales / write off during period	-	(38)	-	(5,892)	(3,598)	(9,528)	(1,454)	(10,982)
At 31 December 2015	<u>54,120</u>	<u>147,356</u>	<u>2,606,777</u>	<u>3,444,642</u>	<u>288,597</u>	<u>6,541,492</u>	<u>42,323</u>	<u>6,583,815</u>
Additions during the period	-	-	-	1,310	-	1,310	122,045	123,355
Reclassification from/to another category	-	16,784	19,938	33,526	-	70,248	(70,248)	-
Sales / write off during period	-	-	-	(16,634)	-	(16,634)	-	(16,634)
At 31 December 2016	<u>54,120</u>	<u>164,140</u>	<u>2,626,715</u>	<u>3,462,844</u>	<u>288,597</u>	<u>6,596,416</u>	<u>94,120</u>	<u>6,690,536</u>
Accumulated depreciation/depletion								
At 1 January 2015	<u>-</u>	<u>32,429</u>	<u>1,414,502</u>	<u>2,671,096</u>	<u>271,644</u>	<u>4,389,671</u>		<u>4,389,671</u>
Charge for the period	-	4,577	70,907	108,180	4,412	188,076	-	188,076
Sales/ write off during period	-	-	-	(5,514)	(3,598)	(9,112)	-	(9,112)
At 31 December 2015	<u>-</u>	<u>37,006</u>	<u>1,485,409</u>	<u>2,773,762</u>	<u>272,458</u>	<u>4,568,635</u>		<u>4,568,635</u>
Charge for the period	-	3,036	72,805	103,143	5,156	184,140	-	184,140
Sales/ write off during period	-	-	-	(16,618)	-	(16,618)	-	(16,618)
At 31 December 2016	<u>-</u>	<u>40,042</u>	<u>1,558,214</u>	<u>2,860,287</u>	<u>277,614</u>	<u>4,736,157</u>		<u>4,736,157</u>
Net book value								
At 31 December 2016	<u>54,120</u>	<u>124,098</u>	<u>1,068,501</u>	<u>602,557</u>	<u>10,983</u>	<u>1,860,259</u>	<u>94,120</u>	<u>1,954,379</u>
At 31 December 2015	<u>54,120</u>	<u>110,350</u>	<u>1,121,368</u>	<u>670,880</u>	<u>16,139</u>	<u>1,972,857</u>	<u>42,323</u>	<u>2,015,180</u>

Depreciation expenses of RSD 184,140 thousand (2015: RDS 188,076 thousand) are charged under cost of sales and under administrative and selling expenses in income statement.

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14. Investment in subsidiary

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

Subsidiary	As at 31 Dec 2016	As at 31 Dec 2015
TCK Montenegro	7,966	7,966
Total	7,966	7,966

15. Inventories

	As at 31 Dec 2016	As at 31 Dec 2015
Material and fuel	62,913	109,113
Spare parts and other inventory	287,725	293,043
Packing materials	13,304	12,675
Work in progress	23,088	27,622
Finished products	49,727	44,557
Goods for resale	408	402
Advances for inventory	353	3,377
Goods in transit	34,952	-
Provision for receivables for advances to suppliers	-	(2,095)
	472,470	488,694

Major portion of material and fuel as at 31 December 2016 amounting to RSD 22,369 thousand, RSD 4,455 thousand and RSD 3,066 thousand relates to petrol coke, heavy oil and gypsum, respectively.

16. Trade receivables

	As at 31 Dec 2016	As at 31 Dec 2015
Trade receivables	220,500	244,328
Trade receivables from related parties (Note 22)	142,702	97,814
Provision for impairment of receivables	(57,291)	(68,367)
	305,911	273,775

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

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

As at 31 December 2016, trade receivables at nominal value of RSD 57,291 thousand were provided for impairment (31 December 2015: RSD 68,367 thousand). See below for the movements in the provision for impairment of receivables.

	Provision for impairment of trade receivables
At 1 January 2015	66,335
Charge for the year	8,010
Unused amounts reversed	(5,026)
Utilized during the year	(952)
At 31 December 2015	68,367
At 1 January 2016	68,367
Charge for the year	1,111
Unused amounts reversed	(205)
Utilized during the year	(11,982)
At 31 December 2016	57,291

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16. Trade receivables (continued)

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

Year ended 31 December 2016			Past due				
Description	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	220,500	28,433	41,263	22,747	10,264	7,624	110,169
Trade receivables-related parties	142,702	88,407	54,295	-	-	-	-
Total	363,202	116,840	95,558	22,747	10,264	7,624	110,169

Year ended 31 December 2015			Past due				
Description	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Trade receivables	244,328	33,878	51,611	22,994	20,326	635	114,884
Trade receivables-related parties	97,814	71,333	26,481	-	-	-	-
Total	342,142	105,211	78,092	22,994	20,326	635	114,884

Year ended 31 December 2016			Past due				
Description	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Provision of Trade receivables	57,291	-	-	-	-	-	57,291
Provision of Trade receivables-related parties	-	-	-	-	-	-	-
Total	57,291	-	-	-	-	-	57,291

Year ended 31 December 2015			Past due				
Description	Total	Not due	< 30 days	30-60 days	60-90 days	90-120 days	>120 days
Provision of Trade receivables	68,367	-	-	-	-	-	68,367
Provision of Trade receivables-related parties	-	-	-	-	-	-	-
Total	68,367	-	-	-	-	-	68,367

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17. Other receivables

	As at 31 Dec 2016	As at 31 Dec 2015
Advances to suppliers for current assets	533	1,561
Other receivables from related parties (Note 22)	18,334	18,805
Receivables from employees	1,573	1,863
Accrued expenses	10,186	11,847
Receivables for funds lent to firms	6	6
Receivables for rent	89	99
Receivables for sales of property, plant and equipment	1,375	1,414
Income tax prepayment	-	2,452
VAT prepayment	3,416	-
Other receivables from the State	2,333	1,723
Other short term deposits	409	6,490
Other receivables	4,461	1,320
Other receivables, gross	<u>42,715</u>	<u>47,580</u>
Provision for receivables for funds lent to firms	(6)	(6)
Provision for receivables for employees	(48)	(48)
Provision for other receivables	(180)	(686)
Other receivables, net	<u>42,481</u>	<u>46,840</u>

As at 31 December 2016, other receivables at nominal value of RSD 234 thousand (2015: RSD 740 thousand) were provided for impairment. Movements in the provision for impairment of these receivables were as follows:

	Provision for impairment of receivables for funds lent to firms	Provision for receivables from employee	Provision for impairment of other receivables
At 1 January 2015	<u>6</u>	<u>48</u>	<u>895</u>
Charge for the year	-	-	177
Provision reversal	-	-	(386)
Utilized during the year	-	-	-
At 31 December 2015	<u>6</u>	<u>48</u>	<u>686</u>
At 1 January 2016	<u>6</u>	<u>48</u>	<u>686</u>
Charge for the year	-	-	-
Provision reversal	-	-	(18)
Utilized during the year	-	-	(488)
At 31 December 2016	<u>6</u>	<u>48</u>	<u>180</u>

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18. Cash and cash equivalents

	<u>As at 31 Dec 2016</u>	<u>As at 31 Dec 2015</u>
Cash at bank	25,848	112,751
Short-term bank deposits	1,509,077	1,008,279
	<u><u>1,534,925</u></u>	<u><u>1,121,030</u></u>

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

As at 31 December 2016 deposits that are placed with Vojvodjanska Bank are EUR 729 thousand; with EFG Bank EUR 1,287 thousand and RSD 364,000 thousand; with Societe Generale Bank EUR 2,225 thousand and RSD 250,000 thousand; with Alpha bank EUR 3,008 thousand.

Average interest rates for short-term deposits in EUR is 0.43% per annum. For RSD deposits average interest rate is 3.49 % per annum.

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

19. Stakes in Limited Liability Company

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

As at 31 December 2016 the registered stake capital of the Company amounts to RSD 2,505,209 thousand.

20. Other non-current liabilities and provisions

	<u>As at 31 Dec 2016</u>	<u>As at 31 Dec 2015</u>
Retirement benefits	14,311	10,263
Provision for legal cases	3,972	172
Provision for jubilee awards	16,975	16,270
Provision for rehabilitation of quarries	8,111	7,990
	<u><u>43,369</u></u>	<u><u>34,695</u></u>

Provisions for retirement benefits

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

According to the evaluation of the certified actuary, the present value of the provision on 31 December 2016 was RSD 14,436 thousand (2015: 11,008 thousand) out of which RSD 14,311 thousand represented long-term portion (2015: 10,263 thousand). The principal actuarial assumptions used in calculation of provision were: discount rate – 6%, future salary increase 2 % per year up to 01.01.2022 and 4% per year after that.

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

Movements in the provision for retirement reword were as follows:

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
As at 1 January	10,263	8,270
Utilized during the year	-	-
Unused amounts reversed	(387)	-
Additional provision	4,435	1,993
Closing balance	14,311	10,263

Provision for legal cases

There are 11 ongoing pieces of litigation against the Company. In all cases the Company is sued by ex-employees. In the opinion of the management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss as at 31 beyond the amounts provided December 2016.

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-14
As at 1 January	172	345
Utilized during the period	(1,000)	-
Unused amounts reversed	-	(173)
Additional provision	4,800	-
Closing balance	3,972	172

Provisions for Jubilee awards

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

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

The rewards are defined as follows:

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

According to the evaluation of the certified actuary, the present value of the provision on 31 December 2016 amounted to RSD 20,851 thousand (2015: 21,085 thousand) out of which RSD 16,975 thousand represented long-term portion (2015: 16,270 thousand). The principal actuarial assumptions used in calculation of provision were: 6%, future salary increase 2 % per year up to 01.01.2022 and 4% per year after that.

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
As at 1 January	16,270	15,219
Unused amounts reversed	(403)	-
Utilized during the period	-	(661)
Additional provision	1,108	1,712
Closing balance	16,975	16,270

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

<u>Provisions for Rehabilitation for quarries</u>	<u>For 12 months period ended 31-Dec-16</u>	<u>For 12 months period ended 31-Dec-15</u>
As at 1 January	7,990	8,109
Utilization	-	(163)
Unrealized exchange differences	121	44
Closing balance	8,111	7,990

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

Since the exploitation of the minerals continues to take place on the discovered surfaces for which the provision was made at the end of 2013, the additional adjustment has not been made at the end of December 2016.

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21. Trade and other payables

	As at 31 Dec 2016	As at 31 Dec 2015
Trade payables	252,242	142,192
Advances received	23,395	12,952
Other taxes payable	4,100	18,926
Payables for salaries	14,719	14,460
Social insurance contributions on salarie	7,405	7,300
Accruals	3,725	-
Income tax payable	63,430	-
Payables to related parties (Note 22)	23,267	75,717
Dividend payable	300	300
Provision for retirement- current portion	126	745
Provision for Jubilee award – current portion	3,876	4,815
Tangible assets creditors	3,215	11,217
Guaranteed the deposit	-	20,000
Other payables	1,080	439
	400,880	309,063

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

The table below summarizes the maturity profile of the Company's current liabilities at 31 December 2016 based on contractual payments.

	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>More than 1 year</u>	<u>Total</u>
Year ended 31 December 2016				
Trade payables	243,523	7,917	4,017	255,457
Other payables	27,303	-	301	27,604
Payables to related parties	22,853	314	100	23,267
Total	293,679	8,231	4,418	306,328
	<u>Less than 3 months</u>	<u>3 to 12 months</u>	<u>More than 1 year</u>	<u>Total</u>
Year ended 31 December 2015				
Trade payables	145,297	3,362	4,750	153,409
Other payables	41,103	-	322	41,425
Payables to related parties	31,759	40,176	3,782	75,717
Total	218,159	43,538	8,854	270,551

Concession fee

Since September 2013 concession fee have been RSD 23 per ton of extracted limestone and RSD 33 per ton of extracted marl. Total outstanding liability included in trade payables, as of 31 December 2016 amounted to RSD 3,012 thousand (31 December 2015: 2,121 thousand), while Profit and Loss has been charged by RSD 15,153 thousand (2015: 12,444 thousand (under "variable cost" (note 5))).

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22. Related parties transactions

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

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

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Sales and services provided to related parties		
TCK Montenegro - Montenegro	893,042	785,866
Titan Cement Company S.A., Athens - Other operating income	-	500
Stari Silo Company doo	659	636
	893,701	787,002
	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Purchase of goods and services from related parties		
Titan Cement Company S.A., Athens - Cost of trading goods	11,838	9,471
Titan Cement Company S.A., Athens - Management fee	98,732	104,177
Titan Cement Company S.A., Athens - Other purchases	-	2,375
Cementarnica Usje - Crushed stone	-	66,258
	110,570	182,281
	As at 31-Dec-16	As at 31-Dec-15
Trade and other receivables		
TCK Montenegro – Trade receivables	142,702	97,814
TCK Montenegro – Other receivables	123	1,216
Stari Silo Company – Other receivables	18,211	17,103
TITAN Antea Cement	-	486
	161,036	116,619
Trade and other payables		
Titan Cement Company S.A., Athens	23,267	38,003
Cementarnica Usje	-	37,714
	23,267	75,717

Sales to and purchases from related parties are generally made at normal market prices and conditions. Outstanding balances at year-end are unsecured and settlement occurs in cash. The Company has not raised any provision relating to amounts owed by related parties for the period ended 31 December 2016 and 31 December 2015. Such assessments are undertaken every financial year by examining financial position of each related party in question and the market in which it operates.

Key management compensation

Key management includes directors (executive and non-executive). The total compensation paid or payable to key management for employee services is RSD 32,266 thousand (2015: 30,451 thousand).

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23. Financial risk management objectives and policies

Market risk

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

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

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

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

	<i>Change in EUR rate</i>	<i>Effect on profit before tax in 000 RSD</i>
Year ended 31 December 2016	+10%	98,261
	-10%	-98,261
Year ended 31 December 2015	+10%	72,148
	-10%	-72,148

Credit risk

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

Credit risk related to receivables - The Company has no significant concentrations of credit risk. It has determined policies to ensure that wholesale of products are made to the customers with an appropriate credit history. Furthermore, receivables are often secured by solo bills or bank guarantees. Trade receivables as of 31 December 2016 are diversified. The maximum exposure of credit risk at the financial statements date is the carrying value of receivables stated in Note 16.

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

Liquidity risk

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

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

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23. Financial risk management objectives and policies (continued)

Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or increase registered capital, following shareholders' approval. No changes were made in the objectives, policies or processes during the period ended 31 December 2016 and 31 December 2015.

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

	For 12 months period ended 31-Dec-16	For 12 months period ended 31-Dec-15
Profit for the period	1,211,328	945,637
<i>Add back:</i>		
Income tax	217,174	167,460
Depreciation expenses –cost of sales	179,236	183,535
Depreciation expenses –selling expenses	429	286
Depreciation expenses –administrative expenses	7,549	7,292
Finance income and expenses, net	(18,349)	(7,201)
EBITDA	1,597,367	1,297,009

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

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24. Potential liabilities and operational risks

Overdraft and guaranties

	As at 31 Dec 2016	As at 31 Dec 2015
Bank guarantee letters - asset	198,456	169,183
Bank guarantee letters – liability	128,564	75,230
Overdraft facility with Raiffeisen bank	240,000	240,000
Frame agreement for issuance of the letters of guarantee with Raiffeisen bank (unused)	19,602	70,721

Bank guarantee letters assets contain of guarantees received from customers in the amount of RSD 158,340 thousand, (in 2015: RSD 132,789 thousand), while the remaining amount of RSD 40,116 thousand is related to guarantees received from suppliers for prepayments.

Bank guarantee letters liability in the total amount of RSD 128,564 thousand (in 2015: RSD 75,230 thousand) have been issued in favor of suppliers.

Taxation

The periods that remain open to review by the tax and customs authorities with respect to tax liabilities is for the last five years. The taxation system in the Republic of Serbia is undergoing continual revision and amendment. However, there are still different interpretations of the fiscal legislations. The tax authorities may have different approaches to certain issues in different circumstances, and assess additional tax liabilities, together with additional payment interest and penalties. The Company's management considers the tax liabilities presented in these financial statements are fairly stated. Also, the TP Study for 2016 has not been finished yet, but the Company's management estimates that, taking into account the results of TP study for 2015 and the fact that in 2016 there were no significant changes in the transactions, that will not be a material impact on the result.

Environmental matters

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

Operating environment of the Company

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

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

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

Events occurring after the reporting period

There were not significant events after the reporting period.

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25. Standards and Amendments issued but not effective yet

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The new standard also introduces expanded disclosure requirements and changes in presentation. The standard does not need to be applied until 1 January 2018 but is available for early adoption.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income. IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model.

There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Management has not yet undertaken a detailed assessment of how the applying of the new standard would affect on the Company's financial statements, however management does not expect to have a material impact.

IFRS 15, Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 January 2018, and will allow early adoption.

Management is currently assessing the effects of applying the new standard on the Company's financial statements and does not expect to have a material impact.