

Sharrcem SH.P.K. Hani i Elezit

**Financial Statements Prepared in accordance with International
Financial Reporting Standards
For the year ended 31 December 2016**

with Independent auditor's report

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Independent Auditor's Report

To the Shareholders and Board of Directors of Sharrcem Shpk
Pristina, Republic of Kosovo

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Sharrcem Shpk (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 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 ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) that are relevant to our audit of the financial statements in the Republic of Kosovo. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

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

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

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



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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1 March 2017

Sharrcem Shpk

Amounts in EUR, unless otherwise stated

Statement of Profit or Loss and other Comprehensive

	Note	2016	2015
Revenue	6	37,856,167	39,332,724
Cost of sales	7	(32,710,132)	(32,695,378)
Gross profit		5,146,035	6,637,346
Other operating income	8	24,439	65,131
Administrative expenses	9	(3,439,877)	(3,338,408)
Selling expenses	10	(546,992)	(1,136,610)
Other operating expenses	11	(2,102,391)	(1,620,545)
Operating (loss) / profit		(918,786)	606,914
Finance cost	12	(606,421)	(82,671)
Net finance cost		(606,421)	(82,671)
(Loss) / Profit before tax		(1,525,207)	524,243
Income tax expense	13	(482,850)	(354,073)
(Loss) Profit for the year		(2,008,057)	170,170
Other comprehensive income		-	-
Total comprehensive (Loss)/income for the year		(2,008,057)	170,170

The notes on pages 7 to 34 are an integral part of separate financial statements

Sharrcem Shpk

Amounts in EUR, unless otherwise stated

Statement of Financial Position

	Note	31 December 2016	31 December 2015
Assets			
Property, plant and equipment	14	40,355,747	40,022,628
Intangible assets	14	272,801	59,444
Total non-current assets		40,628,548	40,082,072
Investment in subsidiaries			
	15	8,041,000	7,891,000
Inventories	16	6,308,000	6,609,163
Trade and other receivables	17	1,715,124	2,138,465
Advances given and prepayments		1,630,990	777,208
Current tax asset		93,600	700,282
Cash and cash equivalents	18	270,216	2,059,350
Total current assets		10,017,930	12,284,468
Total assets		58,687,478	60,257,540
Equity			
Share Capital	19	6,201,001	6,201,001
Retained Earnings		35,546,687	37,724,914
Total equity		41,747,688	43,925,915
Liabilities			
Borrowings	23	7,519,495	8,716,595
Deferred tax liabilities	13	526,799	438,999
Employees' termination benefit	21	868,577	884,113
Total non-current liabilities		8,914,871	10,039,707
Trade and other payables	20	5,807,077	4,460,004
Employees' termination benefit, current portion	21	1,726,321	943,131
Customer prepayments		273,000	670,262
Provisions	22	218,521	218,521
Total current liabilities		8,024,919	6,291,918
Total liabilities		16,939,790	16,331,625
Total equity and liabilities		58,687,478	60,257,540

The Financial Statements and the notes set out on pages 7 to 33 were authorized for issue by the Board of Directors of Sharrcem SH.P.K., Hani i Elezit on 24 February 2017 and were signed on their behalf by:

Thomas Glavas

Managing Director

Nikos Moussouras

Chief Financial Officer

Xhemail Dernjani

Head of Finance

The notes on pages 7 to 34 are an integral part of these financial statements

Sharrcem Shpk

Amounts in EUR, unless otherwise stated

Statement of changes in equity

	<u>Share Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance at 1 January 2015	6,201,001	43,605,847	49,806,848
Profit for the year	-	170,170	170,170
Other comprehensive income for the year	-	-	-
Total comprehensive income	-	170,170	170,170
Dividends paid	-	(6,051,103)	(6,051,103)
Balance at 31 December 2015	6,201,001	37,724,914	43,925,915
Balance at 1 January 2016	6,201,001	37,724,914	43,925,915
Loss for the year	-	(2,008,057)	(2,008,057)
Other comprehensive income for the year	-	-	-
Total comprehensive loss	-	(2,008,057)	(2,008,057)
Dividends paid	-	(170,170)	(170,170)
Balance at 31 December 2016	6,201,001	35,546,687	41,747,688

The notes on pages 7 to 34 are an integral part of these financial statements

Sharrcem Shpk

Amounts in EUR, unless otherwise stated

Statement of Cash Flows

<i>In Euro</i>	Note	2016	2015
Cash flows from operating activities			
(Loss)/Profit before tax		(1,525,207)	524,243
<i>Adjustments for:</i>			
Depreciation and amortization	14	4,587,757	3,904,177
Loss/ (Gains) from sales of property plant and equipment	8	4,850	(28,878)
Allowance for receivables	11	30,932	52,234
Finance expenses	12	606,421	82,671
		3,704,753	4,534,447
Decrease in inventories		301,163	1,181,985
Decrease in trade and other receivables		392,405	98,905
(Increase) in advances given and prepayments		(853,782)	(142,424)
Decrease in current tax asset		305,234	606,788
Increase (Decrease) in trade and other payables		1,347,073	(732,382)
Increase in employees' termination benefits		767,654	1,242,760
(Decrease)/ Increase in customer prepayments		(397,262)	612,907
Cash generated from operating activities		5,567,238	7,402,986
Interest paid		(603,521)	(66,076)
Income tax paid		(93,600)	(665,391)
Net cash from operating activities		4,870,117	6,671,519
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(5,148,305)	(1,757,783)
Proceeds from sale property, plant and equipment		9,224	28,879
Investment in subsidiaries	15	(150,000)	(7,891,000)
Net cash used in investing activities		(5,289,081)	(9,619,904)
Cash flows from financing activities			
Dividends paid		(170,170)	(6,051,103)
(Repayment)/ Proceeds for borrowings		(1,200,000)	8,700,000
Net cash (used in)/ from financing activities		(1,370,170)	2,648,897
Net decrease in cash and cash equivalents		(1,789,134)	(299,488)
Cash and cash equivalents at 1 January		2,059,350	2,358,838
Cash and cash equivalents at 31 December	18	270,216	2,059,350

The notes on pages 7 to 34 are an integral part of these financial statements.

Sharrcem Shpk
Notes to the Financial Statements -31 December 2016

1. General information

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2016 for Sharrcem Shpk (the "Company").

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

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

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

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

2. Significant accounting policies

Basis of preparation. The 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.

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.

As of 7 December 2015, The Company acquired three new subsidiaries, Rudmak Dooel with 100% of the voting rights, Milco with 100% of the voting rights and Cement Plus with 65% of the voting rights. Additionally, during the year ended 2016 the Company established additional two new subsidiaries, respectively Esha Materials Dooel and Esha Materials LLC. Details on the investment in subsidiaries has been provided in Note 15.

Titan Cement Company S.A (the Company) 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 Company, 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.

These financial statements are prepared on going concern basis, which assume the Company will continue in operational existence for the near future.

2. Significant accounting policies (Continued)

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 and presentation currency is Euro ("EUR"), which is the legal currency in the Republic of Kosovo since 1 January 2012.

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

Foreign exchange gains and losses are presented in the profit and loss within "other operating income".

Financial instruments - key measurement terms. Depending on their classification, financial instruments are carried at fair value or amortized cost as described below.

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analyzed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

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

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

2. Significant accounting policies (Continued)

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates.

Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. As at 31 December 2016 and 2015, the Company has financial assets classified in loans and receivable category.

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

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

Initial recognition of financial instruments is initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

2. Significant accounting policies (Continued)

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

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

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method

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

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

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

If the terms of an impaired financial asset held at amortized cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

2. Significant accounting policies (Continued)

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

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

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

Capitalisation of borrowing costs. General and specific borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009.

The commencement date for capitalisation is when (a) the Company incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Company capitalizes borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Company's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred on the specific borrowings less any investment income on the temporary investment of these borrowings are capitalised.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

2. Significant accounting policies (Continued)

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

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

- Computer software up to 5 years

Intangible assets with finite lives are amortized over the useful economic and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible asset with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is de-recognized.

Property, plant and equipment.

Property, plant and equipment are stated as follows:

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

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

2. Significant accounting policies (Continued)

Depreciation. Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, the component is depreciated separately. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, with the exception of quarries. Land on which the quarries are located is depreciated on a depletion basis. The depletion is recorded as the material extraction process advances based on the unit-of-production method. Other land is not depreciated. Depreciation rates based on the estimated useful lives for the current and comparative periods are as follows:

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

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

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

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

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

Investment in Subsidiary. Investment in subsidiary are stated at cost, less provision for impairment, where required. A Company recognise a dividend from subsidiary in profit or loss in its separate financial statement when the right to receive the dividend is established.

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

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

2. Significant accounting policies (Continued)

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

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

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

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

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

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

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

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

Interest income. Interest income is recognised on a time-proportion basis using the effective interest method.

2. Significant accounting policies (Continued)

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

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

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

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

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 same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Company.

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

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

Value added tax. Output value added tax related to sales is payable to tax authorities on the earlier of (a) collection of receivables from customers or (b) delivery of goods or services to customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. The tax authorities permit the settlement of VAT on a net basis. VAT related to sales and purchases is recognised in the statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

3. Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosure of contingent liabilities at the end of the reporting period. 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.

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 discussed below. The Company based its assumptions and estimates on the 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.

Useful lives of property plant and equipment, and intangible assets

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

Impairment losses on trade receivables

The Company reviews its trade receivables from customers at each reporting date to assess whether an allowance for impairment should be recorded in the Statement of Comprehensive Income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

Quarry Reserves

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

Contingent liabilities

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

Restoration costs

The Company is generally required to restore quarries and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the Company's environmental policies. Provisions for environmental restoration are recognized when the Company has a present legal or constructive obligation as a result of past events and, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Estimating the future costs of these obligations is complex and requires management to make estimates and judgments because most of the obligations will be fulfilled in the future and contracts and laws are often not clear regarding what is required. Furthermore, the resulting provisions are further influenced by the changing technologies and, environmental, safety, business, political and statutory considerations.

4. Adoption of new and revised standards

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).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 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. New Accounting Pronouncements

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.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

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

5. New Accounting Pronouncements (Continued)

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a ‘three stage’ approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed. [The Company is currently assessing the impact of the new standard on its financial statements

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). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard

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

Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The Company does not expect the amendments to have any material effect on its financial statements.

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Notes to the Financial Statements -31 December 2016

6. Revenue

<i>In Euro</i>	2016	2015
Sales of goods	38,444,746	42,216,826
Freight revenue	1,626,166	1,412,573
Sale of white cement	671,065	521,637
Sales of Pet coke	344,379	2,503,560
Rebates	(3,230,189)	(7,321,872)
Total sales	37,856,167	39,332,724

7. Cost of Sales

<i>In Euro</i>	2016	2015
Variable		
Kiln fuel	5,832,775	6,388,976
Raw Materials	3,507,721	3,168,349
Electricity power	3,113,084	2,814,925
Purchased Clinker	2,681,748	1,176,249
Refractory	485,986	447,293
Other variable costs	328,850	290,296
Grinding media	63,262	43,669
Fuel and oil	1,022	2,172
Total variable cost	16,014,448	14,331,929
Fixed Cost		
Salaries	3,068,983	3,363,866
Third parties services	1,561,638	1,315,001
Maintenance spare parts	741,955	844,023
Other fixed costs	301,631	358,190
Insurance and taxes	154,718	177,669
Total fixed cost	5,828,925	6,058,749
Packing and Distribution Note 7a	5,146,885	4,144,889
Depreciation	4,459,037	3,817,842
Cost of Trading Goods	918,700	2,623,292
Inventory Increase	342,137	1,718,677
Cost of Goods Sold	32,710,132	32,895,378

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7a. Distribution and Packing expenses

<i>In Euro</i>	2016	2015
Packing Expenses		
Bags and wrapping materials	1,198,013	1,110,267
Pallets	741,602	712,561
Salaries & related expenses	289,196	296,746
Outsourced packing activities	235,357	235,689
Maintenance & spare parts	128,728	163,147
Electricity	131,846	122,161
Third parties labor maintenance	141,581	42,650
Consumables	33,985	20,071
Fuel and Oil	3,813	14,003
Other packing cost	584	-
Total packing cost	2,904,705	2,717,295
Distribution and Promotion Expenses	2,242,180	1,427,594
Total packing and distribution	5,146,885	4,144,889

8. Other operating income

<i>In Euro</i>	2016	2015
(Loss) Gain on disposal of property, plant and equipment	(4,850)	28,878
Scrap sales	28,331	20,954
Surplus of spare parts & packing materials	958	15,299
Total other operating income	24,439	65,131

During the physical count of the spare parts which took place in October 2016, it was identified a surplus of several items at a total value of EUR 958 (31 December 2015: EUR 15,229) as it was evaluated by a designated committee.

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9. Administrative expenses

<i>In Euro</i>	2016	2015
Management support services	982,908	1,151,648
Salaries	554,481	515,062
Corporate Social Responsibility (CSR)	490,973	417,537
Staff Benefits	343,690	317,674
Legal and other consulting services	341,797	383,322
Travelling Expenses	254,994	133,462
Other Administrative Expenses	109,901	91,609
Depreciation	100,688	63,548
Software Maintenance and IT Materials	84,922	77,391
Building Utilities	48,503	54,151
Training	40,893	48,282
Car Fuel Expenses	32,423	25,891
Social Security	31,981	26,411
Audit Fees	18,400	25,288
Overtime	3,323	7,132
Total administrative expenses	3,439,877	3,338,408

10. Selling expenses

<i>In Euro</i>	2016	2015
Salaries	222,389	205,855
Advertising & Promotion expenses	100,940	778,321
Rental & Leases	67,466	47,292
Other professional fees and related expenses	62,213	9,212
Depreciation	28,030	26,643
Staff Benefits	25,140	18,152
Car Fuel Expenses	16,131	25,978
Social security	14,927	11,247
Travelling Expenses	9,756	13,910
Total selling expenses	546,992	1,136,610

11. Other operating expenses

<i>In Euro</i>	2016	2015
Staff leaving Indemnities	2,012,877	1,563,476
Other operation expenses	58,582	4,835
Write off of bad debt	30,932	52,234
Total other operating expenses	2,102,391	1,620,545

For staff leaving indemnities please refer to note 21.

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12. Finance cost

<i>In Euro</i>	<u>2016</u>	<u>2015</u>
Interest expense and bank charges	606,421	82,671
Total interest expenses and bank charges	<u>606,421</u>	<u>82,671</u>

13. Income tax expense

Income tax expense recorded in the statement of profit and loss and other comprehensive income comprises the following:

<i>In Euro</i>	<u>2016</u>	<u>2015</u>
Current income tax	395,050	266,273
Deferred income tax	87,800	87,800
Income Tax expenses	<u>482,850</u>	<u>354,073</u>

The income tax rate applicable to the Company's 2016 and 2015 income is 10%. A reconciliation between the expected and the actual taxation charge is provided below.

<i>In Euro</i>	<u>2016</u>	<u>2015</u>
(Loss) Profit Before Tax	<u>(1,525,207)</u>	<u>524,243</u>
Tax at nominal tax rate 10%	(152,520)	52,424
<i>Tax adjustments for:</i>		
Tax effect of nondeductible expenses	240,320	205,609
Write off tax receivable	395,050	96,040
Tax at effective tax rate of 32% (2015: 68%)	<u>482,850</u>	<u>354,073</u>

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

Deferred tax Liability

Recognized deferred tax liability

	<u>As at 1 January</u>	<u>Recognized in profit or loss</u>	<u>As at 31 December</u>
2016:			
Accelerated depreciation of property, plant and equipment for tax purposes	438,999	87,800	526,799
	<u>438,999</u>	<u>87,800</u>	<u>526,799</u>
2015:			
Accelerated depreciation of property, plant and equipment for tax purposes	351,199	87,800	438,999
	<u>351,199</u>	<u>87,800</u>	<u>438,999</u>

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14. Property, plant, equipment and intangibles

<i>Euro</i>	Quarries	Building and Installation	Machinery and Equipment	Furniture, fixtures and vehicles	Intangible	Construction In progress	Total
Cost							
At 1 January 2015	9,381,432	11,970,999	51,195,748	1,793,130	45,035	1,610,312	75,996,656
Additions	155,781	-	-	-	-	2,215,478	2,371,259
Transfer	-	927,788	762,917	65,712	41,559	(1,797,976)	-
Disposals	-	-	-	(321,176)	-	-	(321,176)
At 31 December 2015	9,537,213	12,898,787	51,958,665	1,537,666	86,594	2,027,814	78,046,739
At 1 January 2016	9,537,213	12,898,787	51,958,665	1,537,666	86,594	2,027,814	78,046,739
Additions	1,473,145	-	-	-	-	3,675,160	5,148,305
Transfer	-	607,530	668,109	184,657	260,050	(1,720,346)	-
Disposals	-	-	-	(120,770)	-	-	(120,770)
At 31 December 2016	11,010,358	13,506,317	52,626,774	1,601,553	346,644	3,982,628	83,074,274
Depreciation							
At 1 January 2015	1,342,301	8,407,485	23,226,912	1,388,827	16,139	-	34,381,664
Charge for the period	592,482	279,933	2,865,127	155,626	11,009	-	3,904,177
Disposals	-	-	-	(321,176)	-	-	(321,176)
At 31 December 2015	1,934,783	8,687,418	26,092,039	1,223,277	27,148	-	37,964,665
At 1 January 2016	1,934,783	8,687,418	26,092,039	1,223,277	27,148	-	37,964,665
Charge for the period	1,146,183	312,272	2,926,516	156,091	46,695	-	4,587,757
Disposals	-	-	-	(106,696)	-	-	(106,696)
At 31 December 2016	3,080,966	8,999,690	29,018,555	1,272,672	73,843	-	42,445,726
Carrying amount							
At 31 December 2015	7,602,430	4,211,369	25,866,626	314,389	59,446	2,027,812	40,082,072
At 31 December 2016	7,929,392	4,506,627	23,608,219	328,881	272,801	3,982,628	40,628,548

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

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

Security

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

Intangibles

This related to computer software licenses.

15. Investment in subsidiaries

As at 31 December 2016 and 2015 the investment in subsidiary is composed from:

<i>In Euro</i>	31 December 2016	31 December 2015
Cement Plus for Building Materials LLC	2,982,000	2,982,000
Millco PCM DOOEL	3,500,000	3,500,000
Rudmak DOOEL	1,559,000	1,409,000
Total investment in subsidiaries	8,041,000	7,891,000

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

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

Millco PCM Dooel owns a horizontal mill for pet coke grinding. Sharrcem Shpk will be able to independently run its cement production line, improve substantially its operational efficiency and achieve significant savings in the cost of its kiln fuel which are estimated in the range of 12 euro/ ton of pet coke (+/- 20%).

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15. Investment in subsidiaries (Continued)

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

<i>In Euro</i>	2016	2015
Carrying amount at 1 January	7,891,000	-
Purchase of subsidiary	-	7,891,000
Increase of investment in subsidiaries	150,000	-
Impairment of investments in subsidiaries	-	-
Carrying amount at 31 December	8,041,000	7,891,000

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

Name	31 December 2016		31 December 2015	
	% ownership interest held	Place of business	% ownership interest	Place of business
Subsidiaries				
Cement Plus for Building Materials LLC	65%	Kosovo	65%	Kosovo
Rudmak Doeel	100%	F.Y.R.M	100%	F.Y.R.M
Milico PCM Doeel	100%	F.Y.R.M	100%	F.Y.R.M
Esha Materials Doeel	100%	F.Y.R.M	-	-
Esha Materials LLC	100%	Kosovo	-	-

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

Summarised financial information of each subsidiary for as of and for the year ended 31 December 2016 and 2015 is as follows:

<i>In Euro</i>	Rudmak DOOEL	Milico PCM Doeel	Cement Plus for Building Materials LLC	Total subsidiaries
As of and for the year ended 31 December 2016				
Current assets	25,750	237,851	2,234,103	2,497,704
Non-current assets	936,738	3,332,846	1,225,230	5,494,814
Current liabilities	(880)	(20,515)	(284,053)	(305,448)
Non-current liabilities	-	-	-	-
Revenue	1,512	264,451	5,350,832	5,616,795
Profit or loss from continuing operations	(7,391)	21,568	535,515	549,692
Total comprehensive income/(loss)	(7,391)	21,568	535,515	549,692

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15. Investment in subsidiaries (Continued)

<i>In Euro</i>	Rudmak DOOEL	Millco PCM Doael	Cement Plus for Building Materials LLC	Total subsidiaries
As of and for the year ended 31 December 2015				
Current assets	81,163	630,118	1,518,000	2,229,281
Non-current assets	730,130	3,500,000	1,290,000	5,520,130
Current liabilities	(158)	(630,191)	(50,000)	(680,349)
Non-current liabilities	-	-	-	-
Revenue	1,503	-	5,033,000	5,034,503
Profit or loss from continuing operations	758	(73)	138,000	138,685
Profit or loss from discontinued operations	-	-	-	-
Other comprehensive income/(loss)	-	-	-	-
Total comprehensive income/(loss)	758	(73)	138,000	138,685

16. Inventories

Inventories as at 31 December 2016 and 2015 are as follows:

<i>In Euro</i>	31 December 2016	31 December 2015
Raw materials, consumables and spare parts	4,119,566	4,078,591
Work in progress	1,200,405	1,494,387
Finished goods	988,029	1,036,185
Total inventories	6,308,000	6,609,163

17. Trade and other receivables

<i>In Euro</i>	31 December 2016	31 December 2015
Trade receivables	746,879	1,651,256
Receivables from related parties	1,080	2,124
Total trade receivables	747,959	1,653,380
Allowances for trade receivables	(83,166)	(52,234)
Trade receivables net	664,793	1,601,146
Other receivables	751,607	297,774
VAT receivables	298,724	239,545
Total trade and other receivables	1,715,124	2,138,465

Included in other receivable is restricted cash for guarantee issued in favor of the custom house in amount of EUR 101,519 as at 31 December 2016 (31 December 2015: EUR 115,725).

Movements in the allowance for trade receivables is as follows:

<i>In Euro</i>	2016	2015
Opening balance 1 January	52,234	-
Charge for the year (Note 11)	30,932	52,234
Closing balance as at 31 December	83,166	52,234

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17. Trade and other receivables (Continued)

The ageing analysis of the receivables is as follows:

	31 December 2016	31 December 2015
Neither Past due nor impaired	452,406	636,424
Past due but not impaired		
Up to 30 days	184,845	712,932
From 30 to 60 days	12,154	103,079
From 60 to 90 days	11,915	2,061
From 90 to 120 days	620	5,845
From 120 to 365 days	3,887	140,805
Above 365 days	82,132	52,234
Allowance for impairment	<u>(83,166)</u>	<u>(52,234)</u>
Total trade receivables	<u>664,793</u>	<u>1,601,146</u>

18. Cash and cash equivalents

In Euro

	31 December 2016	31 December 2015
Bank balances	269,893	2,059,110
Cash on hand	323	240
Total cash and cash equivalents	<u>270,216</u>	<u>2,059,350</u>

19. Capital and reserves

Owner's capital

Sharr Beteiligungs GmbH, Hamburg is the sole owner of the Company. Owner's capital in the amount of EUR 6,201,001 is fully paid.

Dividends

During 2016, the Company declared and distributed dividend in amount of EUR 170,170 (2015: EUR 6,051,103).

20. Trade and other payables

In Euro

	31 December 2016	31 December 2015
Trade payables	3,486,892	2,323,172
Liabilities to related parties	2,025,250	1,783,510
Other	294,935	353,322
Total trade and other payables	<u>5,807,077</u>	<u>4,460,004</u>

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

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21. Employees' termination benefit

During the year ended 31 December 2016 additional 68 employees (31 December 2015:61) accepted an offer for voluntary redundancy in exchange for benefits. Benefits provided from the Company include exits package and medical health insurance.

The discount rate used to calculate the present value of employee termination benefit is 15.4% (31 December 2015:15.4%).

<i>In Euro</i>	31 December 2016	31 December 2015
Payable within one year	1,726,321	943,131
From one year to five years	868,577	884,113
Total Employee termination benefit	2,594,898	1,827,244

<i>In Euro</i>	2016	2015
Carrying amount as at 1 January	1,827,244	584,484
Additions charged to profit or loss (Note 11)	2,012,877	1,563,476
Paid during the year	(1,245,223)	(320,716)
Closing balance as at 31 December	2,594,898	1,827,244

22. Provisions

The provisions in amount of EUR 218,521 as at 31 December 2016 (31 December 2015: 218,521) are calculated in accordance with the Law on Environment protection and decision of the Ministry of Environment to cover the future cost for quarry rehabilitation.

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23. Borrowings

On 17 December 2015 the Company signed loan agreement with Sharr Beteiligungs GmbH for an available loan for 8,700,000 € in order to finance investment in its acquired subsidiaries.

The loan shall be repaid in 8 equal 6 month instalments and the first one will be paid in 18 months after the date of the agreement.

The interest rate is determined to be the aggregate of 7% per annum and EURIBOR for the relevant period.

<i>In Euro</i>	31 December 2016	31 December 2015
Borrowings	7,500,000	8,700,000
Accrued interest	19,495	16,595
Total Borrowings	7,519,495	8,716,595

During 2016 the Company paid in advance EUR 1,200,000 which was due on 2017 hence the remaining outstanding borrowings were classified in long term.

24. Balance and transactions with related parties

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

The balance and transaction with related parties are presented in the table below:

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24. Balance and transactions with related parties (Continued)

Related parties transactions <i>In Euro</i>	31 December 2016	31 December 2015
Sales and services provided to related parties		
<i>Direct Parent:</i>		
Sharr Beitaligungs GMBH	-	7,017
<i>Entities under common control:</i>		
Antea	1,778	-
USJE Cementarnica A.D. - cost of traded goods	1,080	11,549
	2,858	18,566
Purchase of goods and services from related parties		
<i>Ultimate Parent:</i>		
Titan Cement S.A.	1,446,324	1,327,338
<i>Direct Parent:</i>		
Sharr Betelligungs GmbH	592,965	101,414
<i>Entities under common control:</i>		
Usje Cementarnica A.D. - pet coke, clinker, white cement, freight, silos, materials and services	6,474,100	16,424,799
Antea Cement SHA - purchase of clinker	718,828	-
	9,232,216	17,853,551
Trade and other receivables		
<i>Entities under common control:</i>		
Usje Cementarnica A.D. - cost of traded goods	1,080	2,124
	1,080	2,124
Borrowings		
<i>Direct Parent:</i>		
Sharr Betelligungs GmbH	7,519,495	8,716,595
	7,519,495	8,716,595
Trade and other payables		
<i>Ultimate Parent:</i>		
Titan Cement S.A.	268,408	403,008
<i>Direct Parent:</i>		
Sharr Betelligungs GmbH	60,648	11,970
<i>Entities under common control:</i>		
Antea	1,804	-
Usje Cementarnica A.D	1,694,390	1,368,532
	2,025,250	1,783,510

25. Contingencies and commitments

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

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

During 2016 the Company has written off tax receivable in amount of EUR 395,051 after reassessment of receivable from the tax authorities. Additionally, during 2016 prepayments for income tax in amount of EUR 305,230 has been transferred to compensate liability for value added tax.

Capital expenditure commitments. At 31 December 2016 the Company has contractual capital expenditure commitments in respect of property, plant and equipment totaling EUR 463,995.

26. Financial Risk Management

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

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

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

<i>In Euro</i>	31 December 2016	31 December 2015
Trade and other receivables	664,793	1,601,146
Cash and cash equivalent	269,893	2,059,110
Total maximum exposure to credit risk	934,686	3,660,256

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

26. Financial Risk Management (Continued)

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

As at 31 December 2016 amount of receivables covered with bank guarantee amounts EUR 372, 942 (31 December 2015: EUR 797,828). The Company management reviews ageing analysis of outstanding trade receivables and follows up on past due balances. Management therefore considers it appropriate to provide ageing and other information about credit risk as disclosed in 16.

The Companies' bank deposits are held only with reputable banks thus the credit risk is not considered significant.

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

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

Currency risk. The Company operates nationally, in the territory of the Republic of Kosovo and is not significantly exposed to foreign exchange risk as all transactions during 2016 and 2015 are denominated in Euro.

As a whole, the Company is not exposed to currency risk because:

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

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

	31 December 2016	31 December 2015
Financial Assets		
<i>Non-interest bearing</i>		
Trade receivables	664,793	1,601,146
Cash and cash equivalents	269,893	2,059,110
	934,686	3,660,256
Financial Liabilities		
<i>Non-interest bearing</i>		
Trade and other payables	5,512,142	4,106,682
<i>Interest bearing borrowings</i>		
Borrowings with interest	7,500,000	8,700,000
	13,012,142	12,806,682

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

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26. Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to daily calls on its available cash resources. Liquidity risk is managed by of the Company. Management monitors monthly rolling forecasts of the Company's cash flows.

The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department.

The table below shows liabilities at 31 December 2016 and 31 December 2015 by their remaining contractual maturity. The following table shows the discounted cash flows on the Company's financial assets and liabilities on the basis of their earliest possible contractual maturity or expected cash flow as at 31 December 2015 and 31 December 2014 as the impact of discounting is not significant due to their short term maturity.

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

	6 months or less	More than 6 months	Total
31 December 2016			
Trade payables	5,512,142	-	5,512,142
Borrowings	-	7,500,000	7,500,000
Total financial liabilities	5,512,142	7,500,000	13,012,142
	6 months or less	More than 6 months	Total
31 December 2015			
Financial liabilities			
Trade payables	4,106,682	-	4,106,682
Borrowings	-	8,700,000	8,700,000
Total financial liabilities	4,106,682	8,700,000	12,806,682

27. Management of capital

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

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares, following shareholders' approval. No changes were made in the objectives, policies or processes during the year ended 31 December 2016 and the current year 2015.

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

<i>In Euro:</i>	2016	2015
(Loss) Profit from operating activities	(918,786)	606,914
Depreciation and amortization expense	4,587,757	3,904,177
EBITDA	3,668,971	4,511,091

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28. Fair value disclosure

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.

	Carrying value		Fair value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Financial Assets				
Trade receivables	664,793	1,601,146	664,793	1,601,146
Cash and cash equivalents	269,893	2,059,110	269,893	2,059,110
	934,686	3,660,256	934,686	3,660,256
Financial Liabilities				
Trade and other payables	5,512,142	4,106,682	5,512,142	4,106,682
Borrowings with interest	7,500,000	8,700,000	7,500,000	8,700,000
	13,012,142	12,806,682	13,012,142	12,806,682

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

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts due to the short-term maturities of these instruments.
- Loans and borrowings are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2016 and 31 December 2015, the carrying amounts of such receivables / borrowings, net of allowances, are not materially different from their calculated fair values.

Fair Value Hierarchy

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

29. Events after the reporting period

On 5 January 2017 the Company has signed a revolving credit line agreement with Usje Cementarnica A.D. The revolving credit line is in amount of EUR 4,000,000 with interest rate at 5.5% and maturity date 27 December 2017.