ALUM S.A.
SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2017

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS AS ADOPTED BY
THE EUROPEAN UNION
(Together with the Independent Auditor's Report)

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RAPORTUL AUDITORULUI INDEPENDENT
INDEPENDENT AUDITOR'S REPORT

Catre actionarii ALUM SA
To the Shareholders of ALUM SA

Raport asupra auditului situatiilor financiare
Report on the Audit of the Financial Statements

Opinia
Opinion

Am auditat situatiile financiare ale societatii ALUM SA („Societatea") cu sediul social in Tulcea, strada Isaccei nr. 82, identificata prin codul unic de inregistrare fiscala 2360405, care cuprind situatia pozitiei financiare la data de 31 decembrie 2017, contul de profit si pierdere, situatia modificarilor capitalului propriu si situatia fluxurilor de trezorerie pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte informatii explicative.
We have audited the financial statements of ALUM SA (the Company) with official head office in Tulcea, Isaccei, 82, identified by sole fiscal registration number 2360405, which comprise the statement of financial position as at December 31, 2017, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In opinia noastra, situatiile financiare anexate ofera o imagine fidela si justa a pozitiei financiare a Societatii la data de 31 decembrie 2017, ca si a performantei financiare si a fluxurilor de trezorerie ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Standardele Internationale de Raportare Financiara adoptate de catre Uniunea Europeana.
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Bazele opiniei
Basis for opinion

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare" din raportul nostru. Suntem independenti fata de Societate conform Codului etic al profesionistilor contabili emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA), conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania, si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.
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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Aspecte cheie de audit
Key audit matters

Aspectele cheie de audit sunt acele aspecte care, in baza rationamentului nostru profesional, au avut cea mai mare importanta pentru auditul situatiilor financiare din perioada curenta. Aceste aspecte au fost abordate in contextul auditului desfasurat asupra situatiilor financiare in ansamblu, si in formarea opiniei noastre asupra acestora, si nu emitem o opinie separata cu privire la aceste aspecte cheie.
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Pentru fiecare aspect de mai jos, am prezentat in acel context o descriere a modului in care auditul nostru a abordat respectivul aspect.
For each matter below, we provided a description of how our audit addressed the matter in that context.

Am indeplinit responsabilitatile descrise in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare" din raportul nostru, inclusiv in legatura cu aceste aspecte cheie. In consecinta, auditul nostru a inclus efectuarea procedurilor proiectate sa raspunda la evaluarea noastra cu privire la riscul de erori semnificative in cadrul situatiilor financiare. Rezultatele procedurilor noastre de audit, inclusiv ale procedurilor efectuate pentru a aborda aspectele de mai jos, constituie baza pentru opinia noastra de audit asupra situatiilor financiare anexate.
We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Analiza deprecierii investitiei in filiale si a creantelor de la acestea
Analysis of the impairment of investments in subsidiaries and receivables from them

Investitia detinuta in Global Aluminium Ltd, societatea-mama a Sierra Mineral Holding Limited, precum si creantele fata de SMHL, sunt semnificative pentru auditul nostru, avand in vedere soldurile inregistrate – valoarea bruta a investitiei in filiala in valoare de 82.581 mii RON si valoarea creantelor detinute de Societate fata de SMHL in valoare de 51.278 mii RON.
Investment in Global Aluminium Ltd, the parent of SMHL, and trade receivables from SMHL, are significant to our audit because of their magnitude, with a gross book value of RON 82,581 thousands for the investment in subsidiary and RON 51,278 thousand for the trade receivable.

Industria producatoare de aluminiu a suferit o perioada de declin ciclic in ultimii ani, ceea ce a condus la inchiderea de capacitati de productie si amanarea de catre multi jucatori a investitiilor in aceasta industrie. La data de 31 decembrie 2017, conducerea Societatii a actualizat testul de depreciere asupra investitiilor detinute in filiale si asupra creantelor fata de SMHL si a inregistrat o depreciere a investitiei detinute in Global Aluminium Ltd in valoare de 82.581 mii RON si o depreciere a creantelor societatii fata de SMHL de 51.278 mii RON.
The aluminium industry has suffered a cyclical downturn in recent years, resulting in capacity shutdowns and deferred investments by many players in the industry. As of 31 December 2017 the management has updated the impairment test of the Company's investment in its subsidiaries and of receivable from SMHL and recorded an impairment adjustment of RON 82,582 thousand for the investment in Global Aluminium Ltd and RON 51,278 thousand for the Company's receivables from SMHL.

Testul anual de depreciere al investitiei detinute in filiale este semnificativ pentru auditul nostru intrucat procesul de evaluarea este complex, necesita estimari semnificative din partea managementului si este bazat pe ipoteze care sunt fundamentate pe evolutia viitoare a pretului global al bauxitei si a conditiilor de operare din Sierra Leone.

The annual impairment test of investments in subsidiaries is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future global prices of bauxite and operating conditions in Sierra Leone.

Procedurile noastre de audit au inclus, printre altele, folosirea specialistilor nostri in evaluare pentru a ne asista in evaluarea ipotezelor cheie si a metodologiilor utilizate de catre Societate in cadrul testului de depreciere al invesitiilor in filiale si a creantelor de incasat de la SMHL. Evaluarea s-a axat asupra:

- validarii ratei de discount, inclusiv asupra componentelor de calcul specific al ratei de actualizare, incluzand rata fara risc, rata de risc a tarii, gradul de indatorare si costul capitalurilor imprumutate;
- analiza principalelor ipoteze luate in calcul la estimarea fluxurilor viitoare de numerar (cum ar fi evolutia viitoare a preturilor de vanzare, volumul productiei, costuri si cheltuieli, modificari in capitalului circulant, etc) prin analiza consecventei ipotezelor cu evolutia mediului economic specific, cu informatiile de piata disponibile si cu planul de afaceri al Societatii;
- dacă anumite ipoteze au luat în considerare sau nu riscurile asociate fluxurilor de trezorerie, au inclus variabilitatea potențială a valorii și perioadei de realizare a fluxurilor de trezorerie și efectul aferent asupra ratei de actualizare;
- analiza senzitivitatii valorii recuperabile a unitatii generatoare de numerar, pentru a intelege impactul potential al modificarilor rezonabile in ipotezele semnificative ale modelului;

De asemenea, am mai efectuat urmatoarele proceduri:
- am evaluat acuratetea bugetelor si estimarilor precedente ale managementului prin comparatie cu performanta actuala inregistrata in anul curent fata de cea prongozata anterior;
- am testat acuratetea matematica a modelului utilizat;

De asemenea, am evaluat masura in care informatiile prezentate de Societate cu privire la testul de depreciere a activelor sunt adecvate.

Our audit procedures included, among others, involvement of our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Company for the impairment testing of its investment in subsidiaries and receivables from SMHL.

Our evaluation was focused on:
- *the discount rate estimates including specific inputs to the determination of the discount rate, including the risk-free rate and country risk rates, along with gearing and cost of debt;*
- *the key assumptions applied in the estimates of future cash flows (such as expected sales prices, production/sales volumes, cost and expenses, working capital changes, etc.), assumptions which we analyzed for consistency with the general and industry-specific economic environment and relevant available market information and the business plans of the Company;*
- *whether or not certain assumptions considered the risks associated with the cash flows, included the potential variability in the amount and timing of cash flows and the related effect on the discount rate.*
- *the sensitivity analysis of the recoverable amounts, to understand the potential impact to reasonable changes in the significant assumption.*

We also performed the following procedures:
- *assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year;*
- *tested the mathematical accuracy of the impairment model used;*

We further assessed the adequacy of the Company's disclosures about impairment testing of investment in subsidiaries and receivables from them.

Alte informatii
Other information

Alte informatii includ Raportul administratorilor, dar nu includ situatiile financiare si raportul nostru de audit cu privire la acestea. Conducerea este responsabila pentru alte informatii.
The other information comprises the Administrators' Report but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

Opinia noastra de audit asupra situatiilor financiare nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora.
Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In legatura cu auditul efectuat de noi asupra situatiilor financiare, responsabilitatea noastra este de a citi aceste alte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare sau cunostintele pe care le-am obtinut in urma auditului sau daca acestea par sa includa erori semnificative. Daca, in baza activitatii desfasurate, ajungem la concluzia ca exista erori semnificative cu privire la aceste alte informatii, noi trebuie sa raportam acest lucru. Nu avem nimic de raportat in acest sens.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsabilitatea conducerii si a persoanelor responsabile cu guvernanta pentru situatiile financiare
Responsibilities of Management and Those Charged with Governance for the Financial Statements

Conducerea Societatii are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare in conformitate cu Standardele Internationale de Raportare Financiara, cu modificarile si clarificarile ulterioare, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.
Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards, with all subsequent modifications and clarifications, 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.

La intocmirea situatiilor financiare, conducerea este responsabila sa evalueze abilitatea Societatii de a-si desfasura activitatea conform principiului continuitatii activitatii si sa prezinte, daca este cazul, aspectele referitoare la continuitatea activitatii si folosirea principiului continuitatii activitatii, mai putin in cazul in care conducerea intentioneaza sa lichideze Societatea sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.
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.

Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiara a Societatii.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsabilitatile auditorului pentru auditul situatiilor financiare
Auditor's Responsibilities for the Audit of the Financial Statements

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare, luate in ansamblu, nu contin denaturari semnificative cauzate de eroare sau frauda si de a emite un raport de audit care sa includa opinia noastra. Asigurarea rezonabila reprezinta un nivel ridicat de asigurare, insa nu este o garantie ca un audit desfasurat in conformitate cu standardele ISA va detecta intotdeauna o denaturare semnificativa, daca aceasta exista. Denaturarile pot fi cauzate fie de frauda fie de eroare si sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor luate in baza acestor situatii financiare.
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 auditors' 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.

Ca parte a unui audit in conformitate cu standardele ISA, ne exercitam rationamentul profesional si ne mentinem scepticismul profesional pe intreg parcursul auditului. De asemenea:
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- *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*.

- Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Societatii.
- *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*.

- Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management*.

- Concluzionam asupra caracterului adecvat al utilizarii de catre conducere a principiului continuitatii activitatii, si determinam, pe baza probelor de audit obtinute, daca exista o incertitudine semnificativa cu privire la evenimente sau conditii care ar putea genera indoieli semnificative privind capacitatea Societatii de a-si continua activitatea. In cazul in care concluzionam ca exista o incertitudine semnificativa, trebuie sa atragem atentia, in raportul de audit, asupra prezentarilor aferente din situatiile financiare sau, in cazul in care aceste prezentari sunt neadecvate, sa ne modificam opinia. Concluziile noastre se bazeaza pe probele de audit obtinute pana la data raportului nostru de audit. Cu toate acestea, evenimente sau conditii viitoare pot determina ca Societatea sa nu isi mai desfasoare activitatea in baza principiului continuitatii activitatii.

- *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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern*.

- Evaluam prezentarea, structura si continutul general al situatiilor financiare, inclusiv al prezentarilor de informatii, si masura in care situatiile financiare reflecta tranzactiile si evenimentele de baza intr-o maniera care realizeaza prezentarea fidela.
- *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*.

Comunicam persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate si programarea in timp a auditului, precum si constatarile semnificative ale auditului, inclusiv orice deficiente semnificative ale controlului intern, pe care le identificam pe parcursul auditului nostru.
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.

De asemenea, prezentam persoanelor responsabile cu guvernanta o declaratie cu privire la conformitatea noastra cu cerintele etice privind independenta si le comunicam toate relatiile si alte aspecte care pot fi considerate, in mod rezonabil, ca ar putea sa ne afecteze independenta si, unde este cazul, masurile de siguranta aferente.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Dintre aspectele pe care le comunicam persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanta in cadrul auditului asupra situatiilor financiare din perioada curenta si, prin urmare, reprezinta aspecte cheie de audit.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

In numele,
On behalf of,

Ernst & Young Assurance Services SRL
Bd. Ion Mihalache 15-17, etaj 21, Bucuresti, Romania
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Partener: Alexandru Lupea

Partner: Alexandru Lupea

Bucuresti, Romania
22 martie 2018
Bucharest, Romania
22 March 2018

ALUM S.A.
SEPARATE STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
All amounts are in RON thousand, unless otherwise stated

	Note	December 31, 2017	December 31, 2016
ASSETS			
Non-current assets			
Property, plant and equipment	**4**	139,612	128,544
Intangible assets	**5**	19	56
Investments in subsidiaries	**6**	-	-
Deferred tax asset	**7**	7,603	10,417
Other non-current assets	**27**	17,175	21,230
Total non-current assets		**164,409**	**160,246**
Current assets			
Inventories	**8**	112,924	106,092
Trade receivables	**9**	20,984	15,580
Other receivables	**10**	208,371	212,039
Current income tax	**7**	-	323
Restricted cash	**11**	6,519	444
Cash and cash equivalents	**11**	2,005	655
Total current assets		**350,533**	**335,134**
Total assets		**514,942**	**495,380**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	**13**	488,413	488,413
Reserves	**12**	47,782	51,897
Accumulated deficit		(280,789)	(298,496)
Total equity		**255,405**	**241,814**
Non-current liabilities			
Financial lease liabilities	**14**	292	325
Retirement benefit obligation	**15**	3,507	2,848
Decommissioning provision	**16**	18,494	20,674
Government grants, non-current portion	**17**	1,769	-
Other non-current liabilities		450	249
Total non-current liabilities		**24,512**	**24,096**

	Note	December 31, 2017	December 31, 2016
Current liabilities			
Trade and other payables	**18**	55,062	50,207
Borrowings	**14**	-	20,825
Financial lease liabilities	**14**	470	289
Government grants, current portion	**17**	-	-
Current income tax liability	**7**	-	-
Other current liabilities	**19**	179,493	158,149
Total current liabilities		**235,025**	**229,470**
Total liabilities		**259,537**	**253,566**
Total equity and liabilities		**514,942**	**495,380**

These separate financial statements were authorized for issue by the management on March 22, 2018.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

ALUM S.A.
SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Revenue	**20**	635,446	555,195
Cost of sales	**21**	(589,952)	(563,305)
Gross profit		**45,493**	**(8,110)**
Other operating income	**22**	1,652	1,017
Impairment of fixed assets	**4**	3	(111)
Impairment of investment		-	-
Administrative expenses	**23**	(21,235)	(10,297)
Other operating expenses	**24**	(1,206)	(2,200)
Other operational gains and losses	**25**	(6,635)	5,697
Operating result		**18,073**	**(14,004)**
Financial income		2,049	2,545
Financial expenses		(3,206)	(4,790)
Finance costs, net	**26**	(1,157)	(2,245)
Profit/(Loss) before tax		**16,916**	**(16,249)**
Income tax	**7**	(2,896)	1,799
Profit/(Loss) for the year		**14,020**	**(14,450)**
Other comprehensive income/(loss), net of tax			
Remeasurement gains/(losses) on defined benefit plans*		(514)	(123)
Income tax effect		82	20
Other comprehensive income for the year, net of tax		(432)	(103)
Total comprehensive income/(loss) for the year		**13,588**	**(14,553)**

***)** items that will not be reclassified into Statement of Comprehensive Income in the future

These separate financial statements were authorized for issue by the management on March 22, 2018.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

ALUM S.A.
SEPARATE STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
All amounts are in RON thousand, unless otherwise stated

	Share Capital	Reserves	Accumulated Deficit	Total
Balance at January 1, 2016	**488,413**	**58,741**	**(290,785)**	**256,369**
Profit for the year	-	-	(14,450)	(14,450)
Remeasurement of post-employment benefits, net of tax	-	-	(103)	(103)
Total Comprehensive income			**(14,553)**	**(14,553)**
Transfer to legal reserve	-	-	-	-
Transfer of realized revaluation reserve	-	(6,844)	6,844	-
Balance at December 31, 2016	**488,413**	**51,897**	**(298,496)**	**241,814**
Balance at January 1, 2017	**488,413**	**51,897**	**(298,496)**	**241,814**
Loss for the period	-	-	14,020	14,020
Remeasurement of post-employment benefits, net of tax	-	-	(432)	(432)
Total Comprehensive loss			**13,588**	**13,588**
Transfer to legal reserve	-	671	(671)	-
Transfer of realized revaluation reserve	-	(4,787)	4,787	-
Balance at December 31, 2017	**488,413**	**47,782**	**(280,789)**	**255,405**

These separate financial statements were authorized for issue by the management on March 22, 2018.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

Attached notes are part of the separate financial statements.

ALUM S.A.
SEPARATE STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2017	Year ended December 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		**16,916**	**(16,249)**
Adjustments for:			
Unrealised foreign exchange differences		9,558	(3,466)
Amortization and depreciation expense		16,759	20,170
Net loss on disposal of property, plant and equipment		(19)	7
Allowance for impairment of receivables	**9**	(5,338)	(10,564)
Impairment allowance for property, plant and equipment	**4**	(3)	111
Allowance for slow moving and obsolete inventory	**8**	14	(3,586)
Increase in retirement benefit obligation	**15**	41	205
Interest income	**26**	(2,049)	(2,545)
Interest expense	**26**	2,993	4,657
Operating (loss)/profit before working capital changes		**38,872**	**(11,260)**
Movements in working capital:			
(Increase)/decrease in receivables		(3,191)	1,565
(Increase) in inventories		(6,847)	(14,370)
Increase in payables		22,210	26,990
Cash generated from operations		**51,044**	**2,925**
Income tax paid		323	(985)
Interest paid		(2,092)	(2,744)
Interest received		244	524
Net cash generated from operating activities		**49,519**	**(281)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for acquisition of property, plant and equipment and intangible assets		(24,942)	(12,099)
Government grants received		1,598	-
Proceeds from disposal of property, plant and equipment, and intangible assets		-	-
Change in loans receivables		1,864	2,030
Change in restricted cash	**11**	(6,075)	(254)
Net cash from/(used) in investing activities		**(27,555)**	**(10,323)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	41,770
Repayment of borrowings		(20,884)	(31,301)
Net cash (used in)/generated by financing activities		**(20,884)**	**10,470**

Attached notes are part of the separate financial statements.

	Note	Year ended December 31, 2017	Year ended December 31, 2016
(Decrease)/increase in cash and cash equivalents		**1,080**	**(134)**
Cash and cash equivalents at the beginning of the year	**11**	**655**	**789**
Cash and cash equivalents at the end of the year	**11**	**1,735**	**655**

These separate financial statements were authorized for issue by the management on March 22, 2018.

Gheorghe Dobra
General Director

Mihaela Duralia
Financial Director

1. GENERAL INFORMATION

ALUM S.A. (the "Company", the "Entity") is a joint-stock company set up under the Romanian law. The Company was initially established in March 1972, ALUM S.A. Tulcea being the largest producer of calcined alumina in Romania.

The major shareholder of Alum S.A. is Alro S.A. owned by Vimetco N.V. Netherlands which in its turn is owned by ViHolding N.V. (Netherland Antilles) a company controlled by MAXON LIMITED.

The main activity is hydro metallurgical processing of bauxite to obtain aluminium oxide, the main raw material for obtaining aluminium.

Company's production processes and products have been certified in accordance with international standards for quality assurance.

The address of the Company's registered office is 82 Isaccei Street, Tulcea, Tulcea County, Romania.

Alum is listed on Bucharest Stock Exchange, AeRO segment. Its price per share could be analysed as follows:

	2017	2016
- minimum price (RON)	0.79	0.24
- maximum price (RON)	1.675	2.83
- average price (RON)	1.23	1.54

The evolution of average number of the Company's employees was as follows:

	2017	2016
Average number of employees	725	711

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements provide comparative information in respect of the previous period.

Following below are the new standards, amendments and interpretations to existing standards adopted starting 1 January 2017 and their effect in the preparation of the Company financial statements for the year ended 31 December 2017.

Standards and interpretations effective in 2017 that the Company has applied to these financial statements:

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2017:

- Amendments to IAS 7 Disclosure Initiative require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this requirement, an entity discloses the following changes in liabilities arising from financing activities:
• Changes from financing cash flows
• Changes arising from obtaining or losing control of subsidiaries or other businesses
• The effect of changes in foreign exchange rates
• Changes in fair values
• Other changes

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and interpretations effective in 2017 that the Company has applied to these financial statements (continued)

The amendments suggest that the disclosure requirement may be met by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Where an entity discloses such a reconciliation, it must provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows. The Company decided to provide information in a reconciliation format (see Note 30). The major changes in the Company's liabilities arising from financing activities are due to financing cash flows and the accrual of financial liabilities. On initial application of the amendment, entities are not required to provide comparative information for the preceding period.

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The applied amendments had no effect on the Company's financial position and performance as the Company have no deductible temporary differences or assets that are in the scope of the amendments.

- Annual Improvements Cycle - 2014-2016 – amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12. The amendment clarifies the application of disclosure requirements in the standard to an entity's interests that are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The applied amendments had no effect on the Company's financial position and performance as the Company have no entity's interests classified as held for sale, held for distribution or as discontinued operations.

Standards issued but not yet effective and not early adopted

- IFRS 9 Financial instruments, issued on 24 July 2014, adopted by the EU on 22 November 2016. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plan to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Company has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9. Overall, the Company expect no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Company expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Company will implement changes in classification of certain financial instruments.

a) Classification and measurement

The Company do not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

b) Impairment

IFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables. The management has determined that, due to the unsecured nature of its loans and receivables, the loss allowance will increase by RON 31 thousand for the Company as at 1 January 2018.

c) Hedge accounting

The Company determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Company have chosen not to retrospectively apply IFRS 9 on transition to the hedges where the Company excluded the forward points from the hedge designation under IAS 39. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Company's financial statements.

- IFRS 15 Revenue from contracts with customers, issued in May 2014 and amended in April 2016. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the cumulative effect method. During 2016, the Company performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

Sales of goods

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by estimated customer returns, rebates and other similar allowances.

For the sale of goods, the Company currently recognize revenue when all the following conditions are satisfied:
- the Company have transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Company deliver goods (mainly alumina, aluminium hydroxide) under contractual terms based on internationally accepted delivery conditions (INCOTERMS). The moment when the customer obtains control of the goods is deemed to be substantially the same for the majority of contracts of the Company under IFRS 15 as under IAS 18.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

In preparing to adopt IFRS 15, the Company is considering the following:

Variable consideration

Some contracts with customers provide volume rebates, financial discounts, price concessions or a right of return for quality claims. Currently, the revenue from these sales is recognized based on the price specified in the contract, net of returns and allowances, trade discounts and volume rebates booked on an accrual basis when a reasonable estimate of the revenue adjustments can be made.

Under IFRS 15, variable consideration is required to be estimated at contract inception. Revenue will be recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Company is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made.

However, since the contractual periods for most of the contracts coincide with the calendar years for which annual financial statements are prepared, and due to the fact that the Company currently report the annual revenue from the contracts with clients net of adjustments such as volume or financial discounts, the impact on retained earnings and NCI at 1 January 2018 from the treatment of variable returns as a result of adoption of IFRS 15 is immaterial. At the same time, the cases of quality claims (rights of return) are isolated and historically immaterial in such a way that the Company cannot make a reasonable estimate of such reversal of revenue at year end. The impact on retained earnings and NCI at 1 January 2018 from the treatment of variable returns as a result of the adoption of IFRS 15 is immaterial.

Principal versus agent considerations

The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, have pricing latitude and is also exposed to inventory and credit risks.

Under IFRS 15, the assessment will be based on whether the Company controls the specific goods before transferring them to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

Recognition of revenue from distinct performance obligations

According to some delivery conditions, denominated according to INCOTERMS (such as CIP “Carriage and Insurance Paid To” or CFR “Cost and Freight”, etc.), the Company may provide services such as transport to a specified destination beyond the moment of transfer of control of goods to the clients. IFRS 15 requires an entity to account for each distinct good or service as a separate performance obligation. Freight services may meet the definition of a distinct service, but a full understanding of the terms of the trade is required to ensure that this is the case. A performance obligation for transportation generally meets the criteria for a performance obligation that is settled over a period of time, and revenue will be recognized over the period of transfer to the customer. If it does not meet the criteria, the performance obligation would be settled at a point in time, and revenue would likely be recognized when the customer receives the goods. This could result in the recognition of a portion of the revenue from the contract with the customer when control of the goods passes and recognition over time for the portion of revenue relating to the freight services. There cannot be a separate obligation for an entity to transport its own goods (that is, prior to transfer of control of the goods to the customer).

The impact on retained earnings and NCI at 1 January 2018 from the treatment of transport services as distinct performance obligations, as a result of the adoption of IFRS 15, is immaterial.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

Rendering of services

The Company performs sundry services occasionally and as a non core business. Revenue is measured at the fair value of the consideration received or receivable. Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Company sells the services in separate transactions. Based on the Company's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the Company does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Company.

Transition

The Company plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying the standard recognized at the date of initial application (i.e. 1 January 2018). As a result, the Company will not apply the requirements of IFRS 15 to the comparative period presented.

- IFRS 15: Revenue from Contracts with Customers (Clarifications). The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The management has assessed that the Clarifications are not expected to materially impact financial statements of the Company.

- IFRS 16 Leases, issued on 13 January 2016 is effective for annual periods beginning on or after 1 January 2019 (early application is permitted, but not before an entity applies IFRS 15). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. In 2018, the Company will continue to assess the potential effect of IFRS 16 on its financial statements.

- IFRS 17 Insurance Contracts. The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. The standard has not been yet endorsed by the EU. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. This standard is not applicable to the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. The amendments clarify the accounting of cash-settled share-based payment transactions that include a performance condition, classification of share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are not expected to affect the financial statements, as the Company has no share-based payments.

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018), adopted by the EU on 3 November 2017. The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") and an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). The amendments are not expected to impact financial statements of the Company.

- Amendments to IFRS 9: Prepayment features with negative compensation (effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted), not yet adopted by the EU. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be ‘negative compensation’), to be measured at amortized cost or at fair value through other comprehensive income. The amendments are not expected to impact financial statements of the Company.

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments are not expected to impact financial statements of the Company.

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures, not yet adopted by the EU. The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the ‘net investment’ in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These amendments are not applicable to the Company.

- Amendments to IAS 40 Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The directors do not expect the amendment to materially affect the financial statements of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

- IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. IFRIC Interpretation 22 addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. Thus, the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Company's current practice is in line with the Interpretation, therefor directors do not expect any effect on its financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019), not yet adopted by the EU. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Management is currently evaluating the impact on financial statements of the Company resulting from the amendment.

Annual Improvements to IFRS Standards 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 for IFRS 1 and IAS 28), not yet adopted by the EU. The improvements are not expected to have a material impact on the Company's financial statements. These annual improvements amend following standards from the 2012 – 2014 reporting cycle:

- IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment deleted the short-term exemptions, because they have now served their intended purpose.

- IAS 28 Investments in Associates and Joint Ventures. The amendment clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual Improvements to IFRS Standards 2015 – 2017 Cycle (effective for annual periods beginning on or after 1 January 2019), not yet adopted by the EU. The improvements are not expected to have a material impact on the Company's financial statements. These annual improvements are a collection of amendments to IFRSs:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

- IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis of preparation

The separate financial statements have been prepared on the historical cost basis except for certain items of property, plant and equipment that are measured at revalued amounts as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

At the first application of IFRS, the Company has chosen to apply the deemed cost exemption for land and buildings as well as for equipment. The fair value was considered by the Company as deemed cost on transition to IFRS on January 1, 2005 considering the revaluation as 31 December 2004 as a good measure of the fair value.

Going concern

These separate financial statements have been prepared on a going concern basis, which assumes that the Entity will be able to realize its assets and discharge its liabilities in the normal course of business.

The principal accounting policies are set out below.

Group accounting

The Entity has participating interests in other companies, in which it has control over the financial and operational policies. These investments are recorded at cost less impairment allowance, in the separate financial statements. In accordance with International Accounting Standard 27 „Consolidated and separate financial statements", the Entity has to prepare consolidated financial statements. The Entity issues also consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. A list of investments in subsidiaries is presented in Note 6.

Foreign currencies

In preparing the separate financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date and included as foreign exchange difference. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:
- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below the hedging accounting policies);

Closing exchange rates for EUR and USD were 4.6597 RON and 3.8915 RON as at December 31, 2017 (December 31, 2016: 4.5411 RON and 4.3033 RON respectively).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost less their residual values over the following useful lives, using the straight-line method:

Buildings and other constructions	2 – 52 years
Plant and machinery	1 – 25 years
Equipment and vehicles	1 – 25 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowings costs are recognized in profit or loss in the period in which they are incurred.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated profit or loss at the date of the derecognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Emission rights

The Company recognizes emission CO2 rights in its separate financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission credit quotas, granted to the Company under Government decision no. 204/2013 by the Romanian National Environmental Authority, are recognized.

The Company estimates its annual emission volumes at each balance sheet date and recognizes the total estimated additional liability for the expected excess of emission volumes at the fair value of additional units to be purchased or penalties to be incurred under the national legislation. The additional net liability is recognized in profit or loss based on unit of production method.

In case the Company estimates utilization of less than the allocated emission certificates any potential income from the sale of unused emission certificates is recognized in profit or loss only on actual sale of those certificates.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The capitalized expenses for the development activities are amortized over a period of 5 years.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

De-recognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in consolidated profit or loss when the asset is derecognized.

Intangible assets are amortized over a period between 3 years (for software) and 50 years (for concessions).

Impairment of tangible and intangible assets excluding goodwill

At the balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount of an asset or cash-generating unit is the higher of fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are

recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Investments in subsidiaries

In the separate financial statements investments in subsidiaries are stated at historical cost less accumulated impairment losses.

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as financial assets 'at fair value through profit or loss' (FVTPL).

Financial assets are classified as at fair value through profit or loss (FVTPL) when the financial asset is either held for trading or it is designated as at fair value through profit or loss (FVTPL).

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Gains / (Losses) from embedded derivatives' or 'Other financial gains, net' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 30.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment. The Company has not recorded held-to-maturity investments as of the balance sheet date.

Available-for-sale financial assets (AFS financial assets)

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Company has not recorded Available-for-sale financial assets as of the balance sheet date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually, they are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced directly by the impairment loss for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities are classified as either financial liabilities ‘at fair value through profit or loss or ‘other financial liabilities'.

Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if:
- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

The Company does not have during 2017 and 2016 financial assets or financial liabilities designated at fair value through profit or loss.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:
- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
-it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the ‘Gains/(losses) from embedded derivatives' or ’’Other financial gains/(losses), net’’. Fair value is determined in the manner described in Note 30.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.
Financial guarantee contracts issued by the Entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:
- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:
- Raw materials: purchase cost on a first in, first out basis;
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing cost, determined on weighted average basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses are also booked for slow moving, damaged and obsolete inventory.

Share capital

i) Ordinary shares are classified as equity.
ii) External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction, net of tax, in equity from the proceeds;
iii) Dividends on ordinary shares are recognized in equity in the period in which they are declared.

Legal reserve

Legal reserves are computed based on the legislation in force and are deducted from the profit of the current financial year by allocating minimum 5% from the profit, until it reaches at least the 20% of the share capital.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

Parties are considered related when other party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly control or significantly influence the other party.

Government grants

Government grants are recognised once there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. They are recognised in the profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, and are disclosed under "other income". Government grants that are receivable as a compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

The Company, in the normal course of business, makes payments to the Romanian State on behalf of its employees for pensions, health care and unemployment cover. The cost of these payments is charged to profit or loss in the same period as the related salary cost.

All employees of the Company are members of the Romanian State pension plan.

The Company awards its employees with several retirement benefits according to the Collective Labour Agreement. For this defined benefit retirement plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

Defined benefit costs are categorized as follows:
- Service costs (comprising current service cost, past service cost, as well as gain and losses on curtailments and settlements), included in profit or loss line item "Cost of sales" or "Administrative expenses" within personnel costs.
- Net interest expense, included in profit or loss line item "Finance costs, net" within interest expenses
- Remeasurement.

Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.
Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability.

Termination benefits

Termination benefits are payable when employment is terminated by the Company 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: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

Leases

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Assets held under finance leases are initially recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Lease payments for finance leases are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made regarding the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by estimated customer returns, rebates and other similar allowances. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; the costs incurred or to be incurred in respect of the transaction can be measured reliably

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense comprises current and deferred tax. The current income tax is based on taxable profit for the year. Taxable profit differs from profit as reported in statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Statutory income tax rate for the year ended December 31, 2017 was 16% (December 31, 2016: 16%).

Currently the fiscal losses can be carried forward in Romania for 7 years.

Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise items such as convertible notes and share options granted to employees.

Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:
- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Value added tax (VAT)

Revenues, expenses and assets are recognised net of the amount of VAT except:
- Where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- When receivables and payables are stated with the amount of sales tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructurings

A restructuring provision is recognized when the Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Entity's obligation.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical data and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the separate financial statements.

i) Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

According to the impairment test performed as of December 31, 2017 and 2016 by CMF Consulting, an independent valuation company, there is no impairment needed at CGU level (Note 4).

ii) Impairment of investments in subsidiaries

The Company's investments in subsidiaries are accounted for at cost less the impairment. Impairment exists when the carrying value of an investment exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

The cash flows are derived from the Company's budget and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the investments are disclosed and further explained in Note 6.

iii) Retirement benefit obligations

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and longevity. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Additional information is disclosed in Note 15.

iv) Tax uncertainties and Deferred taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, when necessary, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in that context.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Detailed information is disclosed in Note 7.

v) Provision for decommissioning.

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Detailed information is disclosed in Note 16.

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2016	**20,057**	**179,000**	**353,794**	**23,974**	**5,781**	**-**	**582,606**
Additions	-	843	823	-	11,777	-	13,443
Transfer between categories	-	2,338	6,360	990	(9,689)	-	-
Disposals	-	-	(673)	-	-	-	(673)
Closing balance at December 31, 2016	**20,057**	**182,182**	**360,304**	**24,964**	**7,869**	**-**	**595,376**
Additions	-	-	3	3	27,936	2,732	30,675
Transfer between categories	-	3,965	6,621	1,457	(12,042)	-	-
Disposals	-	(2,869)	(3,384)	(1,111)	-	-	(7,364)
Closing balance at December 31, 2017	**20,057**	**183,278**	**363,544**	**25,312**	**23,763**	**2,732**	**618,687**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2016	**-**	**119,153**	**310,507**	**14,755**	**-**	**-**	**444,415**
Charge for the year	-	6,905	12,697	518	-	-	20,121
Transfer between categories	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	-	(666)	-	-	-	(666)
Closing balance at December 31, 2016	**-**	**126,058**	**322,538**	**15,273**	**-**	**-**	**463,869**
Charge for the year	-	6,848	9,301	552	-	-	16,700
Transfer between categories	-	-	-	-	-	-	-
Accumulated depreciation of disposal	-	(5)	(3,381)	(1,069)	-	-	(4,455)
Closing balance at December 31, 2017	**-**	**132,902**	**328,457**	**14,756**	**-**	**-**	**476,115**

4. PROPERTY, PLANT AND EQUIPMENT (continued)

Allowances for impairment	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital Assets in progress	Advances for fixed assets	Total
	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2016	**-**	**119**	**14**	**926**	**1,792**	**-**	**2,851**
Impairment charge for the period	-	-	111	-	-	-	111
Reversal of impairment	-	-	-	-	-	-	-
At December 31, 2016	**-**	**119**	**125**	**926**	**1,792**	**-**	**2,962**
Impairment charge for the period	-	-	-	-	-	-	-
Reversal of impairment	-	-	(4)	-	-	-	(4)
At December 31, 2017	**-**	**119**	**121**	**926**	**1,792**	**-**	**2,959**
Net book value							
At December 31, 2016	**20,057**	**56,006**	**37,641**	**8,765**	**6,076**	**-**	**128,544**
At December 31, 2017	**20,057**	**50,257**	**34,965**	**9,630**	**21,971**	**2,732**	**139,612**

The Company recorded full provision for the future cost of rehabilitating the red mud lake waste dump on a discounted basis. The change in the year decreased the value of the fixed asset as of December 31, 2017 by RON 2,864 thousand (2016: + RON 813 thousand) (see Note 16). The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2023, which is when the storage on the site should be either closed or extended.
No borrowing costs were capitalized in 2017 and in 2016.

The gross book value of the fully amortized fixed assets in use as of December 31, 2017 is in amount of RON 259,723 thousand (2016: RON 258,040 thousand).

Impairment tests for property, plant and equipment

There were no impairment indications identified for the company, therefore no impairment test of the property, plant and equipment was performed as at 31 December 2017.

As at 31 December 2016, the management of Alum carried out an impairment test of the property, plant and equipment. The resulting recovery value of these property, plant and equipment was higher than their net book value, so no impairment expense was recognized.
The recovery value of the cash generating unit (CGU) Alum was determined based on a fair value of CGU less costs to sell calculation by using future cash flows extracted from the business plan for the next 5 years estimated by the management of the company. The cash flows in perpetuity beyond this period were extrapolated by using a growth rate of 1% per annum, in line with forecast inflation. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 30).

The key assumptions for the cash-generating unit Alum are:

	2016
Discount rate, after-tax	11.00%
Growth rate	5.54%
EBITDA margin	8.93%

The estimated recoverable amount of the CGU Alum exceeded its carrying amount by approximately RON 121,970 thousand. The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount at 31 December 2016:

	CGU Alum
Discount rate, after-tax	16.58%
Growth rate	0.32%
EBITDA margin	7.42%

5. INTANGIBLE ASSETS

Cost	Development expenses	Other intangibles	Advances for intangibles	Total intangibles
	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2016	**4,367**	**220**	**-**	**4,587**
Additions	-	91	-	91
Transfer to fixed assets.	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2016	**4,367**	**311**	**-**	**4,678**
Additions	-	23	-	23
Transfer to tangible assets	-	-	-	-
Disposals	-	-	-	-
As at December 31, 2017	**4,367**	**334**	**-**	**4,702**

Accumulated depreciation	Development expenses	Other intangibles	Advances for intangibles	Total intangibles
	'000 RON	'000 RON	'000 RON	'000 RON
At January 1, 2016	**4,367**	**207**	**-**	**4,574**
Charge for the year	-	48	-	48
Disposals	-	-	-	-
As at December 31, 2016	**4,367**	**256**	**-**	**4,623**
Charge for the year	-	60	-	60
Disposals	-	-	-	-
As at December 31, 2017	**4,367**	**316**	**-**	**4,683**
Net book value at December 31, 2016	**-**	**56**	**-**	**56**
Net book value at December 31, 2017	**-**	**19**	**-**	**19**

Development expenses include projects and studies related to the silicon removal processes and technological plant sizing, increase of the vertical kiln capacity, technical and technological rehabilitation. The capitalized expenses for the development activities are amortized over a period of 5 years.

6. INVESTMENT IN SUBSIDIARIES

	Year ended December 31, 2017	Year ended December 31, 2016
At January 1	82,581	82,581
Additions	-	-
Impairment of investment	(82,581)	(82,581)
At December 31	**-**	**-**

On May 1, 2011 Alum acquired from Vimetco N.V., related party, 100% of investment company Global Aluminium Ltd. whose assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Minerals Holding 1 Ltd. and 100% shareholding in Bauxite Marketing Ltd.

Bought by Vimetco N.V. in 2008, the bauxite mine in Sierra Leone, with a resource base of approximately 31 million tons of bauxite, produced 1,787,716 tons in 2017 (2016: 1,368,531 tons). The bauxite mine produces raw material for Alum S.A.

Global Aluminium Ltd. has accumulated a deficit of USD (26,821) thousand as of December 31, 2017 (2016: USD (34,368) thousand).

As of December 31, 2017 CMF Consulting, an independent valuator, performed an impairment test for Alum's investment in Global Aluminium Ltd. The recoverable amount of cash-generating units operating in Sierra Leone (Global Aluminium Ltd.) was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. Financial forecasts estimated by the directors cover a five-year period (2016: 5 years). The after-tax discount rate is of 17.2% per annum until 2018, being the estimated period of depletion for measured reserves and 19.2% per annum thereafter for indicated and inferred mineral reserves due to the higher risk or uncertainty (2016: 19.2% until 2018 and 21.2% afterwards). The cash flows beyond the five-year period have been extrapolated until the year 2027, when the estimated reserves (measured, indicated and inferred) will be fully used with a 2% growth rate (2016: 2%), except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 30).

The key assumptions for the cash-generating unit Global Aluminium Ltd. are:

	2017	2016
Discount rate	17.2%	19.2%
Growth rate (average of next five years)	3.2%	4.5%
EBITDA margin	19.9%	24.9%

The discount rate is the CGU weighted-average of the cost of equity of 18.3% (2016: 23%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 6.0% (2016: 9.7%), using the CGU's debt leverage of 9.3% (2016: 28.3%).
Growth rates during the next five years are based on current contract with Alum reflecting the price in the market for long term contracts and on company's intention to develop sales to third party clients.

7. INCOME TAXES

Income tax recognized in the profit or loss

	Year ended December 31, 2017	Year ended December 31, 2016
Current income tax	-	(323)
Deferred income tax (credit)/expense	2,896	(1,476)
Total income tax revenue recognized in the current year	**2,896**	**(1,799)**

7. INCOME TAXES (continued)

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
(Loss)/profit before tax	16,916	(16,249)
Income tax credit/(expense) calculated at 16%	(2,707)	2,600
Tax effect of permanent differences	(189)	(801)
Recognition of previously unrecognized temporary deductible differences	-	-
Income tax (expense)/revenue reported in profit and loss	**(2,896)**	**1,799**

The tax rate used for the 2017 and 2016 reconciliations above is the corporate tax rate of 16% payable by corporate entities in Romania on taxable profits under tax law in that jurisdiction.

The following is the analysis of deferred tax assets / (liabilities) presented in the statement of financial position:

	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Recycled to profit or loss	Closing balance
Property, plant and Equipment	(6,081)	982	-	-	(5,100)
Bank borrowings	(23)	23	-	-	-
Inventories	148	(420)	-	-	(272)
Trade receivables and other current assets	9,135	(895)	-	-	8,240
Long-term provisions	3,308	(349)			2,959
Retirement benefits Obligation	456	23	82	-	561
Trade payables	-	-	-	-	-
Tax losses c/fw	3,475	(2,260)	-	-	1,215
Deferred tax asset / (liability)	**10,417**	**(2,896)**	**82**	**-**	**7,603**

8. INVENTORIES

	December 31, 2017	December 31, 2016
Raw materials	51,516	41,564
Consumables	8,910	8,202
Finished goods	2,234	6,687
Work in progress	49,694	45,899
Semi-finished goods	583	3,723
Other	88	105
Allowance for slow moving and obsolete inventories	(101)	(87)
Total	**112,924**	**106,092**

8. INVENTORIES (continued)

Movement in the provision for inventory is as follows:

	2017	2016
Balance at beginning of the year	87	3,673
Charge during the year	14	-
Release during the year	-	(3,586)
Balance at end of the year	**101**	**87**

The value of the expensed inventories in 2017 is of RON 383,674 thousand (2016: RON 356,707 thousand).

9. TRADE RECEIVABLES

	December 31, 2017	December 31, 2016
Foreign trade receivables	67,875	66,084
Domestic trade receivables	4,619	6,344
Allowance for doubtful receivables	(51,510)	(56,848)
Total	**20,984**	**15,580**

There are three customers representing individually more than 10% of the total balance of trade receivables as at December 31, 2017 (2016: 2 customers).

Movement in allowance for doubtful receivables is as follows:

	2017	2016
Balance at beginning of the year	56,848	67,412
Charge during the year	5	349
Release during the year	(5,343)	(10,913)
Balance at end of the year	**51,510**	**56,848**

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the customer from the date when credit was initially granted up to the reporting date. Accordingly, the Company's management believes that there is no further credit provision required in excess of the allowance for doubtful receivables already provided for.

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2017 there is a potential loss from receivables from SMHL for which the Company recorded a provision in amount of USD 13,177 thousand (RON 51,278 thousand) (2016: USD 13,062 thousand (RON 56,211 thousand)).

9. TRADE RECEIVABLES (continued)

The table below is an analysis of trade receivables as at December 31, 2017 and December 31, 2016:

	December 31, 2017	December 31, 2016
Neither past due nor impaired	8,328	2,203
Past due but not impaired	12,657	13,218
Past due more than 3 months*	-	145
Past due more than 9 months*	51,510	56,863
Allowance for doubtful receivables	(51,510)	(56,848)
Total	**20,984**	**15,580**

*) trade receivables impaired

Ageing of receivables that are past due but not impaired:

	December 31, 2017	December 31, 2016
Less than 3 months	1,741	1,101
3 months to 6 months	194	206
6 months to 9 months	13	412
More than 9 months	10,709	11,499
Total	**12,657**	**13,218**

Details regarding the Company's transactions with the related parties are presented in Note 27.

10. OTHER RECEIVABLES

	December 31, 2017	December 31, 2016
Short term loan receivables (Note 27)	14,378	13,807
Advances to suppliers (Note 27)	192,537	197,450
VAT recoverable	163	150
Other debtors	550	395
Prepayments	759	253
Allowance for doubtful debtors	(16)	(16)
Total	**208,371**	**212,039**

The movement in allowance for doubtful debtors is as follows:

	December 31, 2017	December 31, 2016
Balance at beginning of the year	16	16
Charge for the year	-	-
Release for the year	-	-
Balance at end of the year	**16**	**16**

11. CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
Cash at banks in RON	1,495	462
Cash at banks in foreign currency	234	189
Restricted cash	6,519	444
Cash in hand in RON	6	4
Total	**8,254**	**1,099**

Restricted cash represents cash collateral deposited at banks with the purpose of issuing letters of credit for acquiring raw materials and with the purpose of maintaining a required level of liquidity in respect of interest payable on its borrowings.

On 31 December 2017 the Company has letters of credit with cash collateral transfers opened at CEC Bank in amount of EUR 1,391 thousand (RON 6,484 thousand). The letters of credit have been opened to guarantee the payment of contracts for equipment purchases.

Cash at banks earns interest at floating rates based on daily banks deposit rates. Short-term deposits are made for varying periods between one day and one month, depending on the immediate cash requirements of the Company.

12. RESERVES

	December 31, 2017	December 31, 2016
Legal reserve	9,004	8,332
Other reserves	38,778	43,565
Total reserve	**47,782**	**51,897**

The legal reserve is made up at 20% of the issued and paid shared capital of the Company, according to the regulations in force, it is not distributable and its utilization is strictly regulated by the laws.

Other reserves include mainly amounts that were generated by statutory revaluation of fixed assets.

13. ISSUED CAPITAL

The statutory share capital as of December 31, 2017 and 2016 is as follows:

	Statutory figures					
	December 31, 2017			December 31, 2016		
SHAREHOLDERS	Number of shares	Nominal Value RON (thousand)	%	Number of shares	Nominal Value RON (thousand)	%
ALRO SA	81,595,860	485,495	99.4026	81,595,860	485,495	99.4026
Individuals	488,354	2,906	0.5949	481,756	2,867	0.5869
Other companies	1,989	12	0.0024	8,587	51	0.0105
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

The major shareholder of Alum S.A. is Alro S.A. owned by Vimetco N.V.

14. BORROWINGS

In January 2016 the Company concluded a loan with Raiffeisen Bank for working capital financing in amount of RON 41,770 thousand. The loan has been repaid in eight quarterly equal installments starting with February 2016, the last installment being paid in November 2017.

The related interest rate for this borrowing was ROBOR 3M+3.5%. In 2017, the interest rates ranged between 4.4% and 4.5% (2016: between 4.35% and 4.49%).

The borrowing was secured by property, plant and equipment, by actual and future accounts receivable and by the current bank accounts of the Entity opened at Raiffeisen Bank.

Also, in 2017, the Company has two ongoing finance lease agreements for backhoes for a period of three years. The net book value of leased assets at Company level as of December 31, 2017 was RON 1,152 thousand (31 December 2016: RON 800 thousand).

	December 31, 2017	December 31, 2016
Long-term borrowings		
Long-term bank loans	**-**	**-**
Bank loans, non-current	**-**	**-**
Long-term finance lease	292	325
Total long-term borrowings and finance lease	**292**	**325**
Short-term borrowings		
Short-term portion of long-term bank loans	-	20,825
Short-term bank loans, total	**-**	**20,825**
Short-term finance lease	470	289
Total short-term borrowings and finance lease	**470**	**21,114**
Total borrowings and finance lease	**762**	**21,439**

The minimum lease payments for finance leases are set out below:

	December 31, 2017	December 31, 2016
Lease instalments falling due:		
Within 1 year	485	306
1 to 5 years	298	331
Total lease instalments	**783**	**637**
Less: future finance charges	21	23
Present value of lease obligations	**762**	**614**
Thereof:		
Short-term finance lease obligation (less than 1 year)	470	289
Long-term finance lease obligations (1 to 5 years)	292	325

15. RETIREMENT BENEFIT OBLIGATION

Defined contribution plans

The employees of the Company are members of the state-managed retirement benefit plan and starting with January 1, 2008 can/must (for employees above/under the age of 35) subscribe to private pension funds. The Company contributes a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Company with respect to the retirement benefit plan is to make the specified contributions. The Company's legal and constructive obligation is limited to the amounts that it contributes to the fund.

15. RETIREMENT BENEFIT OBLIGATION (continued)

Defined benefit plans

According to the Collective Labour Agreement, when retiring due to age or disease, the employees benefit from a retirement bonus which is computed based on the number of years of work and varies between 1 and 6 salaries.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2017 by an independent actuary. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2017	December 31, 2016
Expected rate of salary increase (%)	4.21	3.94
Discount rate (%)	4.19	3.69
Expected inflation rate (%)	2.73	2.48

Amounts recognised in profit or loss in respect of these defined benefit plans are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Recognized into P&L		
Current service cost	380	334
Interest on obligation	103	90
Benefits paid	(339)	(129)
Recognized into OCI		
Actuarial changes due to changes in assumptions	**514**	**123**
Total	**659**	**418**

The amount included in the balance sheet arising from the Company's obligation in respect of its defined benefit plans is as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Opening defined benefit obligation	2, 848	2,430
Current service cost	380	334
Interest cost	103	90
Actuarial (gains)/loss	514	123
Benefits paid	(339)	(129)
Total	**3,507**	**2,848**

16. DECOMISSIONING PROVISION

The Company makes full provision for the future cost of decommissioning and rehabilitating the storage facilities for residual product (red mud lake) on a discounted basis. The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2023, which is when the storage on the site should be either closed or significantly expended

These provisions have been created based on the estimates made as of December 31, 2017 by the experienced constructions engineers specialists from IPROLAM. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

Furthermore, the timing of rehabilitation is likely to depend on when the site cease to store at economically viable rates.

The discount rate used in the calculation of the provision as at 31 December 2017 was 4.02% (2016: 3.31%).

	Rehabilitation
At 1 January 2016	19,170
Capitalized during the year	813
Reversals	-
Unwinding of discount	691
Utilisation	-
At 31 December 2016	20,674
At 1 January 2017	20,674
Capitalized during the year	-
Reversals	(2,864)
Unwinding of discount	684
Utilisation	-
At 31 December 2017	18,494
Comprising:	
Current 2017	-
Non-current 2017	18,494
Current 2016	-
Non-current 2016	20,674

17. GOVERNMENT GRANTS

	2017
Balance as of 1 January 2017	-
Increases during the year	1.769
Revenues recorded during the year in the statement of profit or loss	-
Balance as of 31 December 2017	**1.769**
Out of which:	
Current	-
Non-current	1.769

17. GOVERNMENT GRANTS (continued)

Under financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 " Investing in Sustainable Development ".

The project is to be developed in 24 month (August 2016-August 2018) for a total value of RON 20.1 million, out of which RON 12.6 million eligible subsidies (RON 6.3 million are non-reimbursable) and main object is the acquisition of various research and development equipment (hydrate drying equipment, grinding and ranking wet hydrate, etc.).

In 2017 there were signed the contracts for all three equipments, for a total value of EUR 3,638 thousand, were paid the advances for all contracts in amount of EUR 844 thousand and were opened letters of credit in amount of 1.391 th. EUR.

In 2017 the Company received as non-refundable funds the amount of RON 1,598 thousand. The remaining amount of RON 171 thousand is included in current assets and will be received in January 2018 as part of the last reimbursement request.

The only achievement indicator to be pursued by the end of the project is the number of staff in the R & D department that needs to grow by 16 people by September 8th, 2018.

Result indicators, i.e. turnover and market share, are reported annually after the project activities have been completed, only to inform the Managing Authority, but their achievement / failure is verified with the appropriate consequences only at the end of the sustainability period in 2022.

18. TRADE AND OTHER PAYABLES

	December 31, 2017	December 31, 2016
Foreign trade payables	4,036	2,458
Domestic trade payables	49,232	47,106
Accrued trade payables	1,794	643
Total	**55,062**	**50,207**

Details regarding the Company transactions with the related parties are presented in Note 27.

19. OTHER CURRENT LIABILITIES

	December 31, 2017	December 31, 2016
Suppliers of fixed assets	5,817	258
Advances from customers (Note 27)	164,902	150,885
Wages and social security	3,876	2,729
Tax on salaries	675	421
Other taxes payable/(prepaid)	119	49
VAT payable	3,630	3,417
Other current liabilities	474	390
Total	**179,493**	**158,149**

20. REVENUE

99% of the company's revenues consist of sales of alumina and hydrate, most of them to one customer (see Note 27).

	Year ended December 31, 2017	Year ended December 31, 2016
Revenues from sale of alumina	634,689	554,472
Other revenues	757	723
Total	**635,446**	**555,195**

21. COST OF SALES

	Year ended December 31, 2017	Year ended December 31, 2016
Energy, water and gas	147,918	149,801
Raw materials	370,683	344,517
Staff costs	30,892	29,532
Other staff costs	2,896	2,656
Consumables expenses	11,067	10,719
Amortization and depreciation	16,053	18,983
Third party services	4,077	4,226
Repairs	4,430	4,003
Transportation costs	634	644
Others	1,288	1,809
Allowance for slow moving and obsolete Inventories	15	(3,585)
Total	**589,952**	**563,305**

In 2017, the company recognized total employment benefits expenses representing salaries and other staff costs of RON 46,074 thousand (in 2016: RON 39,277 thousand) in profit and loss.

22. OTHER OPERATING INCOME

	Year ended December 31, 2017	Year ended December 31, 2016
Income from sale of unused CO2 emission rights	-	-
Other revenues	1,652	1,017
Total	**1,652**	**1,017**

In other revenues are included, mainly, revenues from sale of energy for town heating, demurrage for bauxite loading/unloading, rent and penalties applied to suppliers.

23. ADMINISTRATIVE EXPENSES

	Year ended December 31, 2017	Year ended December 31, 2016
Energy, water and gas	46	53
Consumables expenses	1,130	821
Staff costs	10,986	9,668
Third party services	7,988	6,458
Insurance	1,029	497
Taxes other than income	1,178	1,253
Amortization and depreciation	814	751
Other administrative expenses	3,402	1,359
(Decrease)/increase in allowance for doubtful receivables	(5,338)	(10,565)
Total	**21,235**	**10,297**

For more details regarding the movement in allowance, see Note 9.

24. OTHER OPERATING EXPENSES

Under other operating expenses, are recorded mainly expenses related to penalties for noncompliance with the estimated consumption for electricity and penalties charged by shipping companies for excess/shortage in idle time spent at bauxite loading/unloading (2017: RON 1,206 thousand; 2016: RON 2,200 thousand).

25. OTHER OPERATIONAL GAINS AND LOSSES

	Year ended December 31, 2017	Year ended December 31, 2016
Foreign exchange (gain)/losses	6,654	(5,704)
Loss on disposal of fixed assets	(19)	7
Total	**6,635**	**(5,697)**

26. FINANCIAL COSTS, NET

	Year ended December 31, 2017	Year ended December 31, 2016
Interest income	2,049	2,545
Interest expense	(2,205)	(3,876)
Interest from discounting provisions	(684)	(691)
Interest on post-employment benefits	(103)	(90)
Bank commissions	(213)	(133)
Total	**(1,157)**	**(2,245)**

27. RELATED PARTY TRANSACTIONS

The major shareholder of Alum S.A. is Alro S.A. owned by Vimetco N.V. Netherlands which in its turn is owned by ViHolding N.V. (Netherland Antilles) a company controlled by MAXON LIMITED.

Related parties are entities with common direct or indirect shareholders, directors or management. A significant proportion of Company's business is conducted through transactions with related parties and the effect of these on the basis determined between the related parties is reflected below. The transactions between the related parties are based on mutual agreements and may not always be at arm's length.

The main related parties the Entity has recorded transactions with in 2017 and 2016 are: Alro S.A., Vimetco Extrusion S.R.L., Vimetco Power Romania SRL, Conef Gaz S.R.L., Vimetco Management S.R.L. Romania, Centrul Rivergate S.R.L., Sierra Minerals Holding Ltd., Global Aluminium Ltd.. Details of transactions between the Entity and its related parties are disclosed below.

Related party	Related party type	Transaction type
Alro S.A.	Shareholder	Sales/purchases of goods/services
Sierra Minerals Holding Ltd.	Subsidiary	Sales/purchases of goods/services
Global Aluminium Ltd	Subsidiary	Assignment of receivables
Vimetco Management Romania S.R.L.	Common control	Purchases of goods and services
Vimetco Power	Common control	Sales of goods and services
Vimetco Extrusion	Common control	Sales/purchases of goods
Conef Gaz S.R.L.	Common control	Purchases of goods
Centrul Rivergate	Common control	Sales/purchases of goods/services

	Year ended December 31, 2017	Year ended December 31, 2016
Sales of goods and occasionally services		
Alro S.A.	526,549	486,006
Centrul Rivergate	35	35
Sierra Minerals Holding Ltd.	3,252	4,136
Vimetco Power	1	1
Vimetco Extrusion	2	2
Total	**529,840**	**490,180**

Purchases of goods and services	Year ended December 31, 2017	Year ended December 31, 2016
Alro S.A.	19,441	21,496
Centrul Rivergate	4,236	3,049
Conef Gaz S.R.L.	129,472	133,766
Vimetco Management Romania S.R.L.	781	780
Sierra Minerals Holding Ltd.	191,412	190,354
Total	**345,341**	**349,445**

27. RELATED PARTY TRANSACTIONS (continued)

	December 31, 2017	December 31, 2016
Trade and other receivables, gross		
Sierra Minerals Holding Ltd. (advances and receivables)	251,101	262,295
Sierra Minerals Holding Ltd. (loan) **	3,035	4,475
Global Aluminium Ltd *	28,518	30,562
Conef Gaz S.R.L.	82	1,450
Centrul Rivergate	4	4
Vimetco Power	3,153	3,152
Alro S.A.	299	13
Vimetco Extrusion	-	-
Total	**286,191**	**301,951**

*) In June 2011 the Company entered into a receivables assignment agreement with Global Aluminium Ltd. BVI, having its headquartes in Trinity Chambers, PO Box 4301, Road Town Tortola, British Virgin Islands, for the amount of USD 10,383,669. The balance as of December 31, 2017 is in amount of USD 7,100,740 (2016: USD 6,899,865), the equivalent of RON 27,633 thousand (2016: RON 29,692 thousand).

The interest according to the contract is Libor 12M + 4.5% per year and as at the balance sheet date its value is of USD 227,587 (2016: USD 202,085), equivalent of RON 886 thousand (2016: RON 870 thousand). The total amount will be reimbursed in 3 equal annual installments. The long-term portion of this borrowing in amount of RON 16,163 thousand (2016: RON 17,874 thousand) was classified as other non-current asset in the separate financial statements.

**) In September 2016, the Company concluded a loan agrement with Sierra Mineral Holdings I Limited, with the head office in Sea Meadow House, Blackburne Highway, Road Town Tortola, British Virgin Islands, for the amount of USD 1,400,000 for putting in operation the dryer facility. The interest according to the contract is Libor 3M + 5% per year. The loan will be repaid in 3 years, in 8 equal quarterly installments starting with July 2017, having a grace period of 1 year. The balance as of December 31st 2017 is in amount of USD 780 thousand (2016: USD 1,040 thousand), the equivalent of RON 3,035 thousand (2016: RON 4,475 thousand).

According to the impairment test performed by CMF Consulting, an independent valuation company, as of December 31, 2017 there is a potential loss from receivables from SMHL for which the Company recorded a provision in amount of USD 13,177 thousand (RON 51,278 thousand) (2016: USD 13,062 thousand (RON 56,211 thousand)).
The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

	December 31, 2017	December 31, 2016
Trade and other payables		
Alro S.A.	195,904	183,164
Conef Gaz S.R.L.	-	-
Centrul Rivergate	-	-
Vimetco Management Romania S.R.L.	-	-
Total	**195,904**	**183,164**

The remuneration of directors and other members of key management personnel during the year was in amount of RON 2,435 thousand (2016: 1,263 RON thousand).

27. RELATED PARTY TRANSACTIONS (continued)

	Year ended December 31, 2017	Year ended December 31, 2016
Other non-current assets		
Sierra Minerals Holding Ltd.	1,012	3,357
Global Aluminium Ltd	16,163	17,874
Total Other non-current assets	**17,175**	**21,230**
Short-term loans receivable, IC		
Sierra Minerals Holding Ltd.	2,024	1,119
Global Aluminium Ltd	12,355	12,688
Total Short-term loans receivable, IC	**14,378**	**13,807**
Loans receivable, IC		
Sierra Minerals Holding Ltd.	3,035	4,475
Global Aluminium Ltd	28,518	30,562
Total loans receivable, IC	**31,553**	**35,037**

28. EARNINGS PER SHARE

	Year ended December 31, 2017	Year ended December 31, 2016
Net profit/(loss) attributable to shareholders	14,020	(14,450)
Weighted average number of ordinary shares (‘000)	82,086	82,086
Basic and diluted (losses)/earnings per share (RON/share)	0.17	(0.18)
Dividends per share in current year (RON/share)	-	-

29. SEGMENT INFORMATION

The Company only has one operating segment, the production and sale of alumina. All its operating assets are located in Romania.

The following table shows the distribution of the Company's sales by geographical market.

	Year ended December 31, 2017	Year ended December 31, 2016
Romania	532,504	491,646
European Union	31,921	30,455
Non-EU European Countries	57,910	22,402
Other countries	13,111	10,692
Total	**635,446**	**555,195**

30. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company does not use derivatives to cover the above mentioned risks.

Capital risk management

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.

The Company's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices.

Foreign currency risk management

The Company is exposed to foreign exchange risk because the predominant part of its sales of alumina is denominated in or linked to the USD while the significant part of its operating costs (such as power costs, wages, etc.) are denominated in or linked to the RON. The currency exposure is related to the fact that most of the company's receivables are linked to USD or EUR while the liabilities are denominated in RON. The Company is therefore exposed to the risk that movements in the RON/USD exchange rates will affect both its net income and financial position, as expressed in RON.

The Company's foreign currency exposure results from:

- highly probable forecast transactions (sales/purchases) denominated in foreign currencies;
- firm commitments denominated in foreign currencies; and
- monetary items (mainly trade receivables, trade payables and borrowings) denominated in foreign currencies.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	December 31, 2017		December 31, 2016	
	Euro denominated	US Dollars denominated	Euro denominated	US Dollars denominated
	RON thousand	RON thousand	RON thousand	RON thousand
Total current assets	14,999	73,984	875	79,220
Total non-current assets	-	17,175	-	21,230
Total assets	**14,999**	**91,159**	**875**	**100,450**
Total short-term liabilities	8,710	2,455	1,980	1,626
Total long-term liabilities	292	-	325	-
Total liabilities	**9,002**	**2,455**	**2,437**	**1,626**

30. FINANCIAL RISK MANAGEMENT (continued)

Foreign currency sensitivity

The Company is mainly exposed to the Euros and the US Dollars. The following table details the Company's sensitivity to a 10% increase and decrease in the Romanian Lei against the relevant foreign currencies. 10% is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit or loss and other equity where the functional currency strengthens against the relevant foreign currency.

	December 31, 2017		December 31, 2016	
	Euro	US Dollars	Euro	US Dollars
	RON thousand	RON thousand	RON thousand	RON thousand
Profit or loss	(600)	(8,870)	143	(9,882)
Equity	(504)	(7,451)	120	(8,301)

Interest rate risk management

The Entity's interest rate risk arises from loans and borrowings. Loans issued and borrowings taken at floating rates expose the entity to cash flow interest rate risk. The interest rate on its existing credit facilities are based on the London Interbank Offered Rate (LIBOR) for US Dollars borrowings and on ROBOR for RON denominated borrowings.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates on US Dollars and RON denominated borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the next reporting period in the case of borrowings linked to floating rates.

Considering that the Company has no loans at the balance sheet date, the impact on profit of the fluctuation of interest rates is zero (2016: RON 208 thousand).

The exposure of the company to the variation of interest rates for the financial assets and liabilities is detailed under the section "Management of the liquidity risk".

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The receivables are mainly related to Alro SA (over 90 %). The company is dependent operationally and financially on Alro SA.
The credit risk resulting from the transactions with the banks and financial institutions is managed by the Treasury Department. Investing of the available cash is done only with approved banks within specified limits. The limits are set to reduce the concentration risk and to reduce the possible financial losses caused by non-fulfilment of the contractual obligations.

Maximum exposure to credit risk equals to the receivable amount presented in the balance sheet.

30. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding and the ability to close out market positions. Management monitors rolling forecasts of the company's liquidity reserve and cash and cash equivalents on a regular basis.

In the following tables are presented the financial liabilities of the company based on contractual maturities. The amounts represent undiscounted cash flows based on the earliest period required for the company to make the payments.

Year ended 31 December 2017

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	485	298	-	-	783
Accounts payable and accrued liabilities	813	54,249	-	-	-	55,062
Total	**813**	**54,734**	**298**	**-**	**-**	**55,845**

Year ended 31 December 2016

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	21,633	332	-	-	21,965
Accounts payable and accrued liabilities	1,055	49,152	-	-	-	50,206
Total	**1,055**	**70,785**	**332**	**-**	**-**	**72,171**

Fair value of financial assets and liabilities

The management considers that the accounting values of assets and liabilities recognized at amortized cost in the financial statements approximates the fair values.

The fair value of the assets and liabilities is determined as follows:

- the fair value of the assets and liabilities with standard terms and conditions for trading on the active and liquid markets is determined by reference to the quoting prices on the market
- the fair value of other financial assets and liabilities is determined based on models generally accepted based on the future cash flows models using prices of an observable transaction.
- the fair value of the derivatives is calculated based on quotations on the market.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Entity has estimated that the fair value of the borrowings and finance lease equals their carrying amount, due to the short nature of the borrowing for the short-term borrowings and for the long-term borrowings based on the fact that the borrowings bear interest at floating interest rates.

30. FINANCIAL RISK MANAGEMENT (continued)

Financial assets and liabilities

	December 31, 2017	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	20,984	-	-	20,984
Other current assets	16,422	-	-	16,422
Cash and cash equivalents	8,254	8,254	-	-
TOTAL FINANCIAL ASSETS	**45,660**	**8,254**	**-**	**37,406**
Financial liabilities				
Borrowings, long term	-	-	-	-
Trade and other payables	55,062	-	-	55,062
Borrowings, short term	-	-	-	-
TOTAL FINANCIAL LIABILITIES	**55,062**	**-**	**-**	**55,062**

	December 31, 2016	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	15,580	-	-	15,580
Other current assets	15,032	-	-	15,032
Cash and cash equivalents	1,099	1,099	-	-
TOTAL FINANCIAL ASSETS	**31,711**	**1,099**	**-**	**30,612**
Financial liabilities				
Borrowings, long term	-	-	-	-
Trade and other payables	50,207	-	-	50,207
Borrowings, short term	20,825	-	-	20,825
TOTAL FINANCIAL LIABILITIES	**71,032**	**-**	**-**	**71,032**

31. COMMITMENTS AND CONTINGENCIES

Commitments

ALUM S.A. has investment commitments for the year 2018 in amount of USD 2,796 thousand (2017: USD 848 thousand).

The Company has various contracts concluded as of December 31, 2017 for the acquisition in 2018 of raw materials, electricity and other materials and consumables in the amount of EUR 11,903 thousand, USD 148,497 thousand and RON 14,544 thousand, respectively (December 31, 2016: EUR 17,797 thousand, USD 105,043 thousand and RON 13,975 thousand, respectively).

Alum has issued a support letter to Sierra Mineral Holdings 1 Ltd under which the Company will provide technical and financial support until the total assets of Sierra Mineral Holding 1 Ltd, fairly valued, exceed its total liabilities.

Under financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 " Investing in Sustainable Development ".
The project is to be developed in 24 month (August 2016-August 2018) for a total value of RON 20.1 million, out of which RON 12.6 million eligible subsidies (RON 6.3 million are non-reimbursable) and main object is the acquisition of various research and development equipment (hydrate drying equipment, grinding and ranking wet hydrate, etc.).

30. COMMITMENTS AND CONTINGENCIES (continued)

Commitments (continued)

In 2017 there were signed the contracts for all three equipments, for a total value of EUR 3,638 thousand, were paid the advances for all contracts in amount of EUR 844 thousand and were opened letters of credit in amount of 1.391 th. EUR.

In 2017 the Company received as non-refundable funds the amount of RON 1,598 thousand.

In 2016 the Company entered into a operating lease contract for vehicles, with lease terms of up to 5 years. The operating lease expense amounted in 2017 to RON 95 thousand (in 2016: RON 32 thousand).

The future amounts of minimum lease payments under non-cancellable operating leases as at December 31, 2017 are as follows:

	December 31, 2017	December 31, 2016
Within 1 year	153	62
1 to 5 years	326	113
Total	**479**	**175**

Contingencies

Legal cases

As at December 31, 2017, the Entity is subject to a number of lawsuits resulted from the normal course of business. Management believes that these actions will not have a negative impact on the financial performance and financial position of the Company.

Taxation

The taxation systems in Romania is undergoing continuous developments. Thus, it is subject to various interpretations and constant changes which may sometimes be retroactive. In some circumstances, the fiscal authorities may treat some aspects in a different way by calculating additional taxes, interest and penalties, which can be significant.
In Romania, the fiscal year remains open for tax audit for a period of 5 years. The management considers that the tax liabilities included in these financial statements are adequate.

In accordance with the requirements issued by the Ministry of Public Finance in Romania, which relate to the fiscal treatment of the items of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts due to their nature, should the Group change the destination of the statutory reserves in the future (to cover losses or to make distributions to the shareholders), this will lead to additional income tax liabilities.

32. AUDITOR'S FEE

In 2017 and 2016, the Company incurred the following expenses for statutory audit and for services of assurance, fiscal consultancy and other non-audit services:

	December 31, 2017	December 31, 2016
Statutory audit annual	205	204
Non-audit services	17	-
Total	**222**	**204**

33. SUBSEQUENT EVENTS

On 11 January 2018, the Extraordinary General Shareholders' Meeting of the Company approved the contracting of two loan facilities amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities are mainly investments, and they will be repaid in seven half-yearly instalments after a grace period of two years. The loans will be secured with property, plant and equipment of Alum, with inventories, receivables and current accounts.

ALUM S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION

(Together with Independent Auditor's Report)

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RAPORTUL AUDITORULUI INDEPENDENT
INDEPENDENT AUDITOR'S REPORT

Catre actionarii ALUM SA
To the Shareholders of ALUM SA

Raport asupra auditului situatiilor financiare consolidate
Report on the Audit of the Financial Consolidated Statements

Opinia
Opinion

Am auditat situatiile financiare consolidate ale societatii ALUM si ale filialelor sale („Grupul") cu sediul social al societatii mama, in Tulcea, str Isaccei, nr 82, identificata prin codul unic de inregistrare fiscala 2360405, care cuprind situatia consolidata apozitiei financiare la data de 31 decembrie 2017, contul de profit si pierdere consolidat, situatia consolidata a modificarilor capitalului propriu si situatia consolidata a fluxurilor de trezorerie pentru exercitiul financiar incheiat la aceasta data si un sumar al politicilor contabile semnificative si alte informatii explicative („situatiile financiare").
We have audited the consolidated financial statements of ALUM SA and its subsidiary (the Group) with official head office in Tulcea, Isaccei, 82, identified by sole fiscal registration number 2360405, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (the "financial statements").

In opinia noastra, situatiile financiare consolidate anexate ofera o imagine fidela si justa a pozitiei financiare a Grupului la data de 31 decembrie 2017, ca si a performantei financiare si a fluxurilor de trezorerie ale acestuia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Standardele Internationale de Raportare Financiara adoptate de Uniunea Europeana.
In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Bazele opiniei
Basis for opinion

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA), Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului din 16 aprilie 2014 („Regulamentul (UE) nr. 537/2014") si Legii nr.162 /2017 („Legea 162/2017"). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare" din raportul nostru. Suntem independenti fata de Societate conform Codului etic al profesionistilor contabili emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA), conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania, inclusiv Regulamentul (UE) nr. 537/2014 si Legea 162/2017, si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra.

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Aspecte cheie de audit
Key audit matters

Aspectele cheie de audit sunt acele aspecte care, in baza rationamentului nostru profesional, au avut cea mai mare importanta pentru auditul situatiilor financiare din perioada curenta. Aceste aspecte au fost abordate in contextul auditului desfasurat asupra situatiilor financiare in ansamblu, si in formarea opiniei noastre asupra acestora, si nu emitem o opinie separata cu privire la aceste aspecte cheie.
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Pentru fiecare aspect de mai jos, am prezentat in acel context o descriere a modului in care auditul nostru a abordat respectivul aspect.
For each matter below, we provided a description of how our audit addressed the matter in that context.

Am indeplinit responsabilitatile descrise in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare consolidate" din raportul nostru, inclusiv in legatura cu aceste aspecte cheie. In consecinta, auditul nostru a inclus efectuarea procedurilor proiectate sa raspunda la evaluarea noastra cu privire la riscul de erori semnificative in cadrul situatiilor financiare. Rezultatele procedurilor noastre de audit, inclusiv ale procedurilor efectuate pentru a aborda aspectele de mai jos, constituie baza pentru opinia noastra de audit asupra situatiilor financiare anexate.
We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Testarea deprecierii fondului commercial
Impairment testing of goodwill

Alum Grup trebuie sa realizeze cel putin anual, si de cate ori exista indicatori de depreciere, testarea pentru depreciere a fondului comercial (in valoare de 71,6 milioane lei). Testarea pentru depreciere se realizeaza la nivelul unei singure unitati generatoare de numerar (UGN) - la nivelul Global Aluminium Ltd (in Sierra Leone).
Alum Group is required to test at least annually, and also when impairment indicators exists, the goodwill (of RON 71.6 million) for impairment. The goodwill impairment testing is performed at the level of one cash-generating unit (CGU) –Global Alumininium Ltd (in Sierra Leone).

Evaluarea indicatoriilor de depreciere pentru unitatea generatoare de numerar ia in considerare surse diverse de informatie, incluzand factori specifici mediului economic. Industria producatoare de aluminiu a suferit o perioada de declin ciclic in ultimii ani, ceea ce a condus la inchiderea de capacitati de productie si

amanarea de catre multi jucatori a investiilor in aceasta industrie. Testul anual de depreciere a fondului comercial este un aspect cheie de audit intrucat necesita judecati si estimari semnificative ale managementului care se bazeaza pe ipoteze legate de evolutia viitoare a conditiilor de piata din Romania si Sierra Leone.

The management assessment of impairment indicators for the CGU involves consideration of various sources of information, including the economic environment factors. The aluminum industry has suffered a cyclical downturn in the recent years resulting in capacity shutdowns and deferred investments by many players in the industry.

The annual impairment test of goodwill is significant to our audit because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions in Romania and Sierra Leone.

Procedurile noastre de audit au inclus, printre altele, folosirea specialistilor nostril in evaluare pentru ne asista in evaluarea ipotezelor cheie si a metodologiilor utilizate de catre Grup in cadrul testului de depreciere a fondului comercial. Evaluarea s-a axat asupra:

- validarii ratei de discount, inclusiv asupra componentelor de calcul specific al ratei de actualizare, incluzand rata fara risc, rata de risc a tarii, gradul de indatorare si costul capitalurilor imprumutate;
- analiza principalelor ipoteze luate in calcul la estimarea fluxurilor viitoare de numerar (cum ar fi evolutia viitoare a preturilor de vanzare, volumul productiei, costuri si cheltuieli, modificari ale capitalului circulant, etc.) prin analiza consecventei ipotezelor cu evolutia mediului economic specific, cu informatiile disponibile despre piata si cu planul de afaceri al Grupului.
- dacă anumite ipoteze au luat în considerare sau nu riscurile asociate fluxurilor de trezorerie, au inclus variabilitatea potențială a valorii și perioadei de realizare a fluxurilor de trezorerie și efectul aferent asupra ratei de actualizare;
- analiza senzitivitatii valorii recuperabile a unitatii generatoare de numerar, pentru a cuantifica impactul potential al modificarilor rezonabile in ipotezele semnificative ale modelului;

De asemenea, am mai efectuat urmatoarele proceduri:

- am evaluat acuratetea bugetelor si estimarilor precedente ale managementului prin comparatie cu performanta actuala inregistrata in anul curent fata de cea prongozata anterior;
- am testat acuratetea matematica a modelului utilizat;

De asemenea, am evaluat masura in care informatiile prezentate de Grup cu privire la testul de depreciere a imobilizarilor financiare sunt adecvate.

Our audit procedures included, among others involvement of our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by Alum Group for the impairment testing of goodwill.

Our evaluation was focused on:

- *the discount rate estimates including specific inputs to the determination of the discount rate, including the risk-free rate and country risk rates, along with gearing and cost of debt;*
- *on the key assumptions applied in the estimates of future cash flows for the respective CGU (such as expected sales prices, production/sales volumes, cost and expenses, working capital changes, etc.), assumptions which we analyzed for consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Group;*
- *whether or not certain assumptions considered the risks associated with the cash flows, included the potential variability in the amount and timing of cash flows and the related effect on the discount rate.*
- *the sensitivity analysis of the CGUs' recoverable amounts, to understand the potential impact to reasonable changes in the significant assumption;*

We also performed the following procedures:

- *assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year;*
- *tested the mathematical accuracy of the impairment model used;*

We further assessed the adequacy of Alum Group's disclosures about impairment testing of goodwill.

Recunoasterea impozitului amanat
Recognition of deferred tax

Creanta privind impozitul pe profit amanat are o importanta semnificativa pentru auditul nostru avand in vedere importanta pozitiei bilantiere la 31 decembrie 2017 (de 54,67 milioane RON in situatia consolidata a pozitiei financiare) si faptul ca, pentru evaluarea recuperabilitatii soldului, sunt necesare rationamente ale conducerii, in special raportat la veniturile impozabile previzionate, preconizandu-se ca unele dintre acestea vor fi generate in anii viitori. Mai mult, avand in vedere rezultatele financiare inregistrate in cursul exercitiului financiar, precum si proiectiile pentru perioada urmatoare, Grupul a recunoscut in cursul exercitiului o creanta priving impozitul amanat de 47 milioane RON aferenta pierderilor fiscale inregistrate de filiala ei, Sierra Mineral Holdings Ltd.
Deferred tax asset is significant to our audit because of the magnitude of the balance sheet position as at 31 December 2017 (of RON 54.67 million) and the fact that management judgement is required to assess the recoverability of the balance, in particular by reference to forecast taxable income, some of which is expected to arise a number of years in the future.
In addition, considering the results recorded during the current period and the forecast for future periods, the Group recognized an additional deferred tax asset in amount of RON 47 million in respect of the fiscal losses recorded by its subsidiary Sierra Mineral Holdings Ltd.

Procedurile noastre de audit s-au axat pe evaluarea ipotezelor-cheie ale conducerii cu privire la recuperabilitatea creantei privind impozitul pe profit amanat, cum ar fi previziuni care stau la baza recunoasterii activului, inclusiv rezumate ale datelor de expirare a pierderilor fiscale. Am evaluat conformitatea cu planurile de afaceri pe termen lung aplicate de conducere pentru gestionarea si monitorizarea performantei activitatii. Specialistii nostri interni in aspecte fiscale au fost implicati, daca a fost cazul, in procedurile noastre de audit in domeniul impozitarii curente si orice evaluari relevante au fost luate in considerare la stabilirea impactului in cadrul evaluarii noastre cu privire laproiectiile privind profitul impozabil. De asemenea, am evaluat caracterul adecvat al informatiilor prezentate de grup cu privire la creanta privind impozitul pe profit amanat.
Our audit procedures focused on assessing the key management assumptions for the deferred tax asset recoverability such as forecasts which underpin the asset recognition, including summaries of tax losses expiry dates. We evaluated consistency with long term business plans used by management to manage and monitor the performance of the business. Internal tax specialists were involved, as appropriate, to assist us in the audit procedures performed on the current taxation area and any relevant evaluations were considered for impact in our assessment of the taxable profit projections. We also assessed the adequacy of the Group's disclosures regarding deferred tax assets.

Alte informatii
Other information

Alte informatii includ Raportul administratorilor, dar nu includ situatiile financiare si raportul nostru de audit cu privire la acestea. Conducerea este responsabila pentru alte informatii.
The other information comprises the Administrators' Report but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

Opinia noastra de audit asupra situatiilor financiare nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora.
Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In legatura cu auditul efectuat de noi asupra situatiilor financiare, responsabilitatea noastra este de a citi aceste alte informatii si, facand acest lucru, de a analiza daca acestea nu sunt in concordanta, in mod semnificativ, cu situatiile financiare sau cunostintele pe care le-am obtinut in urma auditului sau daca acestea par sa includa erori semnificative. Daca, in baza activitatii desfasurate, ajungem la concluzia ca

exista erori semnificative cu privire la aceste alte informatii, noi trebuie sa raportam acest lucru. Nu avem nimic de raportat in acest sens.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsabilitatea conducerii si a persoanelor responsabile cu guvernanta pentru situatiile financiare
Responsibilities of Management and Those Charged with Governance for the Financial Statements

Conducerea Societatii are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare consolidate in conformitate cu Standardele Internaltionale de Raportare Financiara si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de frauda, fie de eroare.
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the 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.

La intocmirea situatiilor financiare consolidate, conducerea este responsabila sa evalueze abilitatea Societatii de a-si desfasura activitatea conform principiului continuitatii activitatii si sa prezinte, daca este cazul, aspectele referitoare la continuitatea activitatii si folosirea principiului continuitatii activitatii, mai putin in cazul in care conducerea intentioneaza sa lichideze Societatea sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.
In preparing the consolidated 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.

Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiara a Societatii.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsabilitatile auditorului pentru auditul situatiilor financiare consolidate
Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare, luate in ansamblu, nu contin denaturari semnificative cauzate de eroare sau frauda si de a emite un raport de audit care sa includa opinia noastra. Asigurarea rezonabila reprezinta un nivel ridicat de asigurare, insa nu este o garantie ca un audit desfasurat in conformitate cu standardele ISA va detecta intotdeauna o denaturare semnificativa, daca aceasta exista. Denaturarile pot fi cauzate fie de frauda fie de eroare si sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor luate in baza acestor situatii financiare.
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 auditors' 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.

Ca parte a unui audit in conformitate cu standardele ISA, ne exercitam rationamentul profesional si ne mentinem scepticismul profesional pe intreg parcursul auditului. De asemenea:

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

- Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- *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*.

- Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al Societatii.
- *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*.

- Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management*.

- Concluzionam asupra caracterului adecvat al utilizarii de catre conducere a principiului continuitatii activitatii, si determinam, pe baza probelor de audit obtinute, daca exista o incertitudine semnificativa cu privire la evenimente sau conditii care ar putea genera indoieli semnificative privind capacitatea Societatii de a-si continua activitatea. In cazul in care concluzionam ca exista o incertitudine semnificativa, trebuie sa atragem atentia, in raportul de audit, asupra prezentarilor aferente din situatiile financiare sau, in cazul in care aceste prezentari sunt neadecvate, sa ne modificam opinia. Concluziile noastre se bazeaza pe probele de audit obtinute pana la data raportului nostru de audit. Cu toate acestea, evenimente sau conditii viitoare pot determina ca Societatea sa nu isi mai desfasoare activitatea in baza principiului continuitatii activitatii.
- *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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern*.

- Evaluam prezentarea, structura si continutul general al situatiilor financiare, inclusiv al prezentarilor de informatii, si masura in care situatiile financiare reflecta tranzactiile si evenimentele de baza intr-o maniera care realizeaza prezentarea fidela.
- *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*.

- Obtinem suficiente probe de audit adecvate cu privire la informatiile financiare ale entitatilor sau activitatilor din cadrul Grupului pentru a exprima o opinie asupra situatiilor financiare consolidate. Suntem responsabili pentru indrumarea, supravegherea si efectuarea auditului la nivelul grupului. Suntem singurii responsabili pentru opinia noastra de audit.

- *Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.*

Comunicam persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate si programarea in timp a auditului, precum si constatarile semnificative ale auditului, inclusiv orice deficiente semnificative ale controlului intern, pe care le identificam pe parcursul auditului nostru.
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.

De asemenea, prezentam persoanelor responsabile cu guvernanta o declaratie cu privire la conformitatea noastra cu cerintele etice privind independenta si le comunicam toate relatiile si alte aspecte care pot fi considerate, in mod rezonabil, ca ar putea sa ne afecteze independenta si, unde este cazul, masurile de siguranta aferente.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Dintre aspectele pe care le comunicam persoanelor responsabile cu guvernanta, stabilim acele aspecte care au avut cea mai mare importanta in cadrul auditului asupra situatiilor financiare din perioada curenta si, prin urmare, reprezinta aspecte cheie de audit.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Alte cerinte privind cuprinsul raportului de audit conform Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului
Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Numirea si aprobarea auditorului
Appointment and Approval of Auditor

Am fost numiti auditori ai Societatii de catre Adunarea Generala a Actionarilor la data de 27 Aprilie 2017 pentru a audita situatiile financiare ale exercitiului financiar incheiat la 31 decembrie 2017. Durata totala de misiune continua, inclusiv reinnoirile (prelungirea perioadei pentru care am fost numiti initial) si renumirile anterioare drept auditori a fost de 5 (cinci) ani, acoperind exercitiile financiare incheiate la 31 decembrie 2013 pana la 31 decembrie 2017.
We were appointed as auditors of the Company by the General Meeting of Shareholders on 27 April 2017 to audit the financial statements for the financial year ended December 31, 2017. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has been of 5 (five) years covering the financial periods end December 31, 2013 until December 31, 2017.

Servicii non-audit
Provision of Non-audit Services

Nu am furnizat Societatii servicii non-audit interzise mentionate la articolul 5 alineatul (1) din Regulamentul (UE) nr. 537/2014 al Parlamentului European si al Consiliului si ramanem independenti fata de Societate pe durata auditului.

Pe langa serviciile de audit statutar, am furnizat Societatii si entitatilor controlate de aceasta servicii de proceduri convenite in legatura cu revizuirea documentației de monitorizare a respectării condițiilor relevante ale schemei de ajutor de stat referitoare la cota redusă a certificatelor verzi conform HG 495/2014.
No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.
In addition to statutory audit services, we provided to the Company and its controlled undertakings agreed upon procedures related to the review of documentation for monitoring of the compliance with the relevant conditions of the state aid scheme related to green certificates reduced quota, under HG 495/2014.

In numele,
On behalf of,

Ernst & Young Assurance Services SRL
Bd. Ion Mihalache 15-17, etaj 21, Bucuresti, Romania
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Inregistrat la Camera Auditorilor Financiari din Romania
Cu nr. 77/15 august 2001
Registered with the Chamber of Financial Auditors in Romania
Nr. 77/15 August 2001

Nume Auditor / Partener: Alexandru Lupea
Name of the Auditor/ Partner: Alexandru Lupea
Inregistrat la Camera Auditorilor Financiari din Romania
Cu nr. 273/ 1 Martie 2001
Registered with the Chamber of Financial Auditors in Romania
No. 273/ 1 March 2001

Bucuresti, Romania
22 Martie 2018
Bucharest, Romania
22 March 2018

ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
All amounts are in RON thousand, unless otherwise stated

	Note	December 31, 2017	December 31, 2016
ASSETS			
Non-current assets			
Property, plant and equipment	**4**	208,548	192,503
Intangible assets	**5**	691	378
Goodwill	**6**	71,650	79,232
Loans receivable, long term	**27**	54,345	52,035
Deferred tax	**7**	54,671	10,417
Total non-current assets		**389,905**	**334,565**
Current assets			
Inventories	**8**	135,208	120,987
Trade receivable	**9**	14,130	11,369
Other receivables	**10**	6,657	5,200
Current income tax	**7**	-	1,595
Restricted cash	**11**	6,519	444
Cash and cash equivalents	**11**	3,928	1,031
Total current assets		**166,442**	**140,626**
Total assets		**556,348**	**475,191**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**12**	488,413	488,413
Reserves	**13**	47,782	51,897
Accumulated deficit		(302,797)	(385,064)
Equity attributable to owners of the Entity		**233,398**	**155,246**
Total equity		**233,398**	**155,246**
Non-current liabilities			
Borrowings	**14**	10,632	10,608
Finance lease liabilities, non-current	**14**	292	325
Retirement benefit liabilities	**15**	5,496	4,618
Provisions	**16**	29,530	32,329
Government grants, non-current portion	**17**	1,769	-
Other non-current liabilities		449	250
Total non-current liabilities		**48,168**	**48,131**

	Note	December 31, 2017	December 31, 2016
Current liabilities			
Trade and other payables	**18**	83,760	83,945
Borrowings	**14**	1,018	23,485
Finance lease liabilities, current	**14**	470	289
Current income tax liability		5,636	-
Government grants, current portion	**17**	-	-
Other current liabilities	**19**	183,897	164,095
Total current liabilities		**274,782**	**271,814**
Total liabilities		**322,950**	**319,945**
Total equity and liabilities		**556,348**	**475,191**

These consolidated financial statements were authorized for issue by management on March 22, 2018.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
All amounts are in RON thousand, unless otherwise stated

	Note	Year ended December 31, 2017	Year ended December 31, 2016
Revenues	**20**	709,851	587,664
Cost of sale	**21**	(588,028)	(548,182)
Gross profit		**121,823**	**39,482**
Other operating income	**22**	4,926	3,965
Impairment of property, plant and equipment	**4**	3	(111)
General and administrative expenses	**23**	(65,263)	(55,312)
Other operating expenses		(1,561)	(2,717)
Total operating expenses		(66,821)	(58,140)
Other gains and losses	**24**	(8,768)	8,496
Financial income	**25**	4,157	3,052
Financial expenses	**25**	(5,376)	(7,753)
Finance cost, net	**25**	(1,219)	(4,701)
Profit/(loss) before income taxes		**49,941**	**(10,898)**
Income tax	**7**	37,262	5,387
Profit/(loss) for the year		**87,203**	**(5,511)**
Profit/(loss) attributable to:			
Shareholders of the Company		87,203	(5,511)
Non-controlling interest		-	-
Weighted average number of ordinary shares for the purpose of basics earnings per share (thousand)		82,086	82,086
Basic and diluted earnings/(losses) per share	**26**	**1.06**	**(0.07)**
Other comprehensive (loss)/income, net of tax			
Exchange differences on translating foreign operations**		(8,376)	(73)
Remeasurement gains/(losses) on defined benefit plans*		(757)	108
Income tax effect*		82	20
Other comprehensive income net of tax		**(9,051)**	**55**
Total comprehensive income/(loss) for the year		**78,152**	**(5,456)**

***)** items that will not be reclassified into Statement of Comprehensive Income in the future
****)** items that will be reclassified into Statement of Comprehensive Income in the future

These consolidated financial statements were authorized for issue by management on March 22, 2018.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017
All amounts are in RON thousand, unless otherwise stated

	Attributable to equity holders of the entity						
	Share capital	**Reserves**	**Foreign currency translation reserve**	**Accumulated deficit**	**Attributable to the owners of the entity**	**Non Controlling interest**	**Total Equity**
Balance at January 1, 2016	**488,413**	**58,742**	**(24,561)**	**(361,892)**	**160,702**	**-**	**160,702**
Loss for the year	-	-	-	(5,511)	(5,511)	-	(5,511)
Remeasurement of post-employment benefits	-	-	-	108	108	-	108
Deffered tax on benefits	-	-	-	20	20	-	20
Other comprehensive income	-	-	(105)	32	(73)	-	(73)
Total Comprehensive income	**-**	**-**	**(105)**	**(5,351)**	**(5,456)**	**-**	**(5,456)**
Transfer to legal reserve	-	-	-	-	-	-	-
Transfer of realized revaluation reserve	-	(6,844)	-	6,844	-	-	-
Balance at December 31, 2016	**488,413**	**51,897**	**(24,666)**	**(360,399)**	**155,246**	**-**	**155,246**
Balance at January 1, 2017	**488,413**	**51,897**	**(24,666)**	**(360,399)**	**155,246**	**-**	**155,246**
Profit for the year	-	-	-	87,203	87,203	-	87,203
Remeasurement of post-employment benefits	-	-	-	(757)	(757)	-	(757)
Deffered tax on benefits remeasurement	-	-	-	82	82	-	82
Other comprehensive income	-	-	(8,315)	(61)	(8,376)	-	(8,376)
Total Comprehensive loss	**-**	**-**	**(8,315)**	**86,467**	**78,152**	**-**	**78,152**
Transfer to legal reserve	-	671	-	(671)	-	-	-
Transfer to realized revaluation reserve	-	(4,787)	-	4,787	-	-	-
Balance at December 31, 2017	**488,413**	**47,782**	**(32,981)**	**(269,816)**	**233,398**	**-**	**233,398**

These consolidated financial statements were authorized for issue by management on March 22, 2018.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

The accompanying notes are an integral part of these consolidated financial statements.

ALUM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(All amounts are in RON thousand, unless otherwise stated)

	Note	Year ended December 31, 2016	Year ended December 31, 2015
Cash flows from operating activities			
Profit before tax		**49,942**	**(10,898)**
Adjustments for:			
Depreciation and amortization of non-current assets		39,307	40,596
Impairment of property, plant and equipment	**4**	(3)	111
Net gain on disposal of property, plant and equipment		1,352	383
Allowances for doubtful debts	**9**	(405)	(383)
Allowances for slow moving and obsolete inventory	**8**	14	(3,586)
Change in retirement benefit obligation	**15**	69	(1,251)
Foreign exchange differences		12,848	(6,987)
Interest income	**25**	(4,148)	(3,030)
Interest expense	**25**	4,516	6,840
		103,491	21,794
Movements in working capital:			
(Increase) in trade receivables and other assets		(5,407)	(2,118)
Decrease/(increase) in inventories		(13,182)	6,438
Increase in trade payables and other liabilities		17,806	13,245
Cash generated from operations		**102,708**	**39,360**
Income tax paid		(1,464)	(985)
Interest paid		(2,518)	(3,794)
Net cash generated by operating activities		**98,726**	**34,581**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles assets		(64,475)	(30,468)
Government grants received		1,598	-
Granted loans	27	(3,444)	(13,570)
Restricted cash	11	(6,075)	(254)
Interest received		-	-
Net cash from/(used) in investing activities		**(72,396)**	**(44,292)**
Cash flow from financing activities			
Proceeds from borrowing		-	46,948
Repayment of borrowings		(23,433)	(37,147)
Net cash used in financing activities		**(23,433)**	**9,801**
Net (decrease)/increase in cash and cash equivalents		**2,897**	**90**
Cash and cash equivalents at beginning of the year	**11**	**1,031**	**941**
Cash and cash equivalents at end of the year	**11**	**3,928**	**1,031**

These consolidated financial statements were authorized for issue by management on March 22, 2018.

Gheorghe Dobra
General Director

Mihaela Duralia
Chief Financial Officer

1 GENERAL INFORMATION

a) Parent Company

ALUM S.A. (the "Company") is a joint-stock company set up under the Romanian law. The Company was initially established in March 1972, ALUM S.A. Tulcea being the largest producer of calcined alumina in Romania.

The major shareholder of Alum S.A. is Alro S.A. owned by Vimetco N.V. Netherlands which in its turn is owned by ViHolding N.V. (Netherland Antilles) a company controlled by MAXON LIMITED.

The main activity is hydro metallurgical processing of bauxite to obtain aluminium oxide the main raw material for obtaining aluminum.

Company's production processes and products have been certified in accordance with international standards for quality assurance.

The address of the Company's registered office is 82 Isaccei Street, Tulcea, Tulcea County, Romania.

Alum is listed on Bucharest Stock Exchange, AeRO segment. Its price per share could be analysed as follows:

	2017	2016
- minimum price	0.79	0.24
- maximum price	1.675	2.83
- average price	1.23	1.54

The evolution of average number of the Company's employees was as follows:

	2017	2016
Average number of employees	725	711

b) Subsidiaries

On May 1, 2011 Alum acquired from Vimetco N.V., related party, 100% of an investment company Global Aluminum Ltd. whose assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Minerals Holding I Ltd., and 100% shareholding in Bauxite Marketing Ltd.

Bought by Vimetco N.V. in 2008, the bauxite mine in Sierra Leone, with a resource base of approximately 31 million tons of bauxite, produced 1,787,716 tons in 2016 (2016: 1,368,531 tons). The bauxite mine ensures the necessary raw materials for the alumina refinery (Alum S.A.) in Romania.

The evolution of average number of the Subsidiary's employees was as follows:

	2017	2016
Average number of employees	468	453

Alum S.A. and its subsidiaries will be hereinafter called as the "Group".

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Following below are the new standards, amendments and interpretations to existing standards adopted starting 1 January 2017 and their effect in the preparation of the Group financial statements for the year ended 31 December 2017.

Standards and interpretations effective in 2017 that the Group has applied to these financial statements:

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2017:

- Amendments to IAS 7 Disclosure Initiative require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this requirement, an entity discloses the following changes in liabilities arising from financing activities:
• Changes from financing cash flows
• Changes arising from obtaining or losing control of subsidiaries or other businesses
• The effect of changes in foreign exchange rates
• Changes in fair values
• Other changes

The amendments suggest that the disclosure requirement may be met by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Where an entity discloses such a reconciliation, it must provide sufficient information to enable users of the financial statements to link items included in the reconciliation to the statement of financial position and the statement of cash flows. The Group decided to provide information in a reconciliation format (see Note 30). The major changes in the Group's liabilities arising from financing activities are due to financing cash flows and the accrual of financial liabilities. On initial application of the amendment, entities are not required to provide comparative information for the preceding period.

- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The applied amendments had no effect on the Group's financial position and performance as the Group have no deductible temporary differences or assets that are in the scope of the amendments.

- Annual Improvements Cycle - 2014-2016 – amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12. The amendment clarifies the application of disclosure requirements in the standard to an entity's interests that are classified as held for sale, held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The applied amendments had no effect on the Group's financial position and performance as the Group have no entity's interests classified as held for sale, held for distribution or as discontinued operations.

Standards issued but not yet effective and not early adopted

- IFRS 9 Financial instruments, issued on 24 July 2014, adopted by the EU on 22 November 2016. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

The Group plan to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expect no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Group expects an increase in the loss allowance resulting in a negative impact on equity as discussed below. In addition, the Group will implement changes in classification of certain financial instruments.

a) Classification and measurement

The Group do not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

b) Impairment

IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. The management has determined that, due to the unsecured nature of its loans and receivables, the loss allowance will increase by RON 673 thousand for the Group as at 1 January 2018.

c) Hedge accounting

The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group have chosen not to retrospectively apply IFRS 9 on transition to the hedges where the Group excluded the forward points from the hedge designation under IAS 39. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

- IFRS 15 Revenue from contracts with customers, issued in May 2014 and amended in April 2016. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the cumulative effect method. During 2016, the Group performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis completed in 2017.

Sales of goods

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by estimated customer returns, rebates and other similar allowances.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

For the sale of goods, the Group currently recognize revenue when all the following conditions are satisfied:
- the Group have transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. The Group deliver goods (mainly alumina, aluminium hydroxide) under contractual terms based on internationally accepted delivery conditions (INCOTERMS). The moment when the customer obtains control of the goods is deemed to be substantially the same for the majority of contracts of the Group under IFRS 15 as under IAS 18.

In preparing to adopt IFRS 15, the Group is considering the following:

Variable consideration

Some contracts with customers provide volume rebates, financial discounts, price concessions or a right of return for quality claims. Currently, the revenue from these sales is recognized based on the price specified in the contract, net of returns and allowances, trade discounts and volume rebates booked on an accrual basis when a reasonable estimate of the revenue adjustments can be made.

Under IFRS 15, variable consideration is required to be estimated at contract inception. Revenue will be recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognized sooner than when the return period lapses or a reasonable estimate can be made.

However, since the contractual periods for most of the contracts coincide with the calendar years for which annual financial statements are prepared, and due to the fact that the Group currently report the annual revenue from the contracts with clients net of adjustments such as volume or financial discounts, the impact on retained earnings and NCI at 1 January 2018 from the treatment of variable returns as a result of adoption of IFRS 15 is immaterial. At the same time, the cases of quality claims (rights of return) are isolated and historically immaterial in such a way that the Group cannot make a reasonable estimate of such reversal of revenue at year end. The impact on retained earnings and NCI at 1 January 2018 from the treatment of variable returns as a result of the adoption of IFRS 15 is immaterial.

Principal versus agent considerations

The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, have pricing latitude and is also exposed to inventory and credit risks.

Under IFRS 15, the assessment will be based on whether the Group control the specific goods before transferring them to the end customer, rather than whether it has exposure to significant risks and rewards associated with the sale of goods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

Recognition of revenue from distinct performance obligations

According to some delivery conditions, denominated according to INCOTERMS (such as CIP "Carriage and Insurance Paid To" or CFR "Cost and Freight", etc.), the Group may provide services such as transport to a specified destination beyond the moment of transfer of control of goods to the clients. IFRS 15 requires an entity to account for each distinct good or service as a separate performance obligation. Freight services may meet the definition of a distinct service, but a full understanding of the terms of the trade is required to ensure that this is the case. A performance obligation for transportation generally meets the criteria for a performance obligation that is settled over a period of time, and revenue will be recognized over the period of transfer to the customer. If it does not meet the criteria, the performance obligation would be settled at a point in time, and revenue would likely be recognized when the customer receives the goods. This could result in the recognition of a portion of the revenue from the contract with the customer when control of the goods passes and recognition over time for the portion of revenue relating to the freight services. There cannot be a separate obligation for an entity to transport its own goods (that is, prior to transfer of control of the goods to the customer).

The impact on retained earnings and NCI at 1 January 2018 from the treatment of transport services as distinct performance obligations, as a result of the adoption of IFRS 15, is immaterial.

Rendering of services

The Group performs sundry services occasionally and as a non core business. Revenue is measured at the fair value of the consideration received or receivable. Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions. Based on the Group's assessment, the fair value and the stand-alone selling prices of the services are broadly similar. Therefore, the Group does not expect the application of IFRS 15 to result in significant differences in the timing of revenue recognition for these services.

The recognition and measurement requirements in IFRS 15 are also applicable for recognition and measurement of any gains or losses on disposal of non-financial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

Transition

The Group plans to adopt IFRS 15 using the cumulative effect method, with the effect of initially applying the standard recognized at the date of initial application (i.e. 1 January 2018). As a result, the Group will not apply the requirements of IFRS 15 to the comparative period presented.

- IFRS 15: Revenue from Contracts with Customers (Clarifications). The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 Revenue from Contracts with Customers, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach. The management has assessed that the Clarifications are not expected to materially impact financial statements of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

- IFRS 16 Leases, issued on 13 January 2016 is effective for annual periods beginning on or after 1 January 2019 (early application is permitted, but not before an entity applies IFRS 15). IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its financial statements.

- IFRS 17 Insurance Contracts. The standard is effective for annual periods beginning on or after 1 January 2021 with earlier application permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied. The standard has not been yet endorsed by the EU. IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity. This standard is not applicable to the Group.

- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. The amendments clarify the accounting of cash-settled share-based payment transactions that include a performance condition, classification of share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments are not expected to affect the financial statements, as the Group has no share-based payments.

- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018), adopted by the EU on 3 November 2017. The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4: an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the "overlay approach") and an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the "deferral approach"). The amendments are not expected to impact financial statements of the Group.

- Amendments to IFRS 9: Prepayment features with negative compensation (effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted), not yet adopted by the EU. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. The amendments are not expected to impact financial statements of the Group.

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments are not expected to impact financial statements of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures, not yet adopted by the EU. The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These amendments are not applicable to the Group.

- Amendments to IAS 40 Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. IAS 40 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The directors do not expect the amendment to materially affect the financial statements of the Group.

- IFRIC 22 Interpretation Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2018), not yet adopted by the EU. IFRIC Interpretation 22 addresses the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. Thus, the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The Group's current practice is in line with the Interpretation, therefor directors do not expect any effect on its financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019), not yet adopted by the EU. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. The Management is currently evaluating the impact on financial statements of the Group resulting from the amendment.

Annual Improvements to IFRS Standards 2014-2016 Cycle (effective for annual periods beginning on or after 1 January 2018 for IFRS 1 and IAS 28), not yet adopted by the EU. The improvements are not expected to have a material impact on the Group's financial statements. These annual improvements amend following standards from the 2012 – 2014 reporting cycle:

- IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment deleted the short-term exemptions, because they have now served their intended purpose.

- IAS 28 Investments in Associates and Joint Ventures. The amendment clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual Improvements to IFRS Standards 2015 – 2017 Cycle (effective for annual periods beginning on or after 1 January 2019), not yet adopted by the EU. The improvements are not expected to have a material impact on the Group's financial statements. These annual improvements are a collection of amendments to IFRSs:

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards issued but not yet effective and not early adopted (continued)

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- IAS 12 Income Taxes: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.

- IAS 23 Borrowing Costs: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

3 SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

The main accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquire. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:
- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification (continued)

A liability is current when:
- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue recognition

Revenue is recognized to the extent that the economic benefits will flow to the Group and that they can be reliable measured.
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and related sales taxes.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognized when goods are delivered and legal title is passed.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognized at the contractual rates as labour hours and direct expenses are incurred.

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income

The Group's policy for recognition of revenue from operating leases is described below.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable

Leasing

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Capitalized leases are depreciated over the shorter of the estimated useful life of the asset or the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Lease payments for finance lease are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see below the hedging accounting policies).

For the purpose of presenting the financial statements in RON, the monetary assets and liabilities of the Group’s foreign operations are translated at the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rate for the periods presented.

In order to present the financial statements in RON, for the entities whose functional currency is different from RON, assets and liabilities are translated at exchange rates in effect at the end of the reporting period. Income and expense items are translated at average exchange rates for the presented periods. Equity items are translated at historical exchange rates.

Exchange differences arising on the translation are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are de-recognized but they are not reclassified to profit or loss.

Borrowing costs

Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. No borrowing costs were capitalized in 2015 and 2016.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated profit or loss in the period in which they are incurred.

Employee benefits

The Group, in the normal course of business, makes payments to the Romanian State on behalf of its employees for pensions, health care and unemployment cover. The cost of these payments is charged to profit or loss in the same period as the related salary cost.

The Group awards its employees with some retirement benefits according to the Collective Labour Agreement. For this defined benefit retirement plan, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting period. Remeasurement, comprising actuarial gains and losses, is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur.

Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. Defined benefit costs are categorized as follows:
- Service costs (comprising current service cost, past service cost, as well as gain and losses on curtailments and settlements), included in profit or loss line item "Cost of sales" or "Administrative expenses" within personnel costs.
- Net interest expense, included in profit or loss line item "Finance costs, net" within interest expense.
- Remeasurement.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates (for Romanian Group companies 16%, for Sierra Leone 30%) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Currently the fiscal losses generated by the Romanian Group companies can be carried forward for 7 years, while for Sierra Leone for 10 years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the year

Current and deferred tax are recognized in the consolidated profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Value added tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT except:
- Where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- When receivables and payables are stated with the amount of sales tax included The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation is recognized so as to write off the cost less their residual values over their useful lives, using the straight-line method.

Buildings and special constructions	2 - 52 years
Plant and machinery	1 - 25 years
Equipment and vehicles	1 - 25 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in consolidated profit or loss.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

De-recognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in consolidated profit or loss when the asset is derecognized.

Intangible assets are amortized over a period between 3 years (for software) and 50 years (for concessions).

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Impairment of tangible and intangible assets other than goodwill (continued)

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value.
Costs incurred in bringing each product to its present location and condition is accounted for as follows:
- Raw materials: purchase cost on a first in, first out basis;
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing cost, determined on weighted average basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Impairment losses are also booked for slow moving, damaged and obsolete inventory.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the specific risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Decommissioning liability

Decommissioning costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognized as part of the cost of the particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in the statement of profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs are added to or deducted from the cost of the asset.

Rehabilitation provision

The Group recognizes a rehabilitation provision where it has a legal and 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 a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are expensed when the inventory item is recognized in cost of goods sold. Additional disturbances or changes in rehabilitation costs are recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to restoration of site damage (subsequent to start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognized in profit or loss as extraction progresses.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in consolidated profit or loss.

Financial assets

For purposes of subsequent measurement financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

AFS financial assets are stated at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and statement of cash flows comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Acquisitions of subsidiaries under common control

Acquisitions of subsidiaries under common control are accounted for using the pooling of interest method, as follows:

- The assets and liabilities of the acquired entities are reflected at the carrying values reported in previous owner's consolidated financial statements;
- No "new" goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity "acquired" is reflected within the Group's equity;
- The income and expenses of the newly acquired subsidiary are included in the consolidated financial statements starting from the acquisition date;
- Comparatives are not restated as if the entities had always been combined.

Exploration and evaluation assets

Exploration and evaluation activities involve the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Types of expenditure that might be included in the measurement of exploration and evaluation assets are as follows:

- acquisition of rights to explore;
- topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching and sampling; and
- activities involved in evaluating the technical feasibility and commercial viability of extracting mineral resources. This includes the costs - incurred in determining the most appropriate mining/processing methods and developing feasibility studies.

Capitalized exploration and evaluation expenditure is recorded at cost less impairment losses. Once an operating license has been obtained, the respective exploration assets are amortized over the shorter of the life of the mine and the life of the mining license. An exploration and evaluation asset shall no longer be classified as such when the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Financial liabilities and equity instruments

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities ‘at FVTPL' or ‘other financial liabilities'.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognized less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies.

The Group does not have during 2017 and 2016 financial assets or financial liabilities designated at fair value through profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting of financial instruments

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

Related parties

Parties are considered related when other party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly control or significantly influence the other party.

Government grants

Government grants are recognized once there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. They are recognized in the profit or loss over the periods necessary to match them with the related costs which they are intended to compensate, and are disclosed under "other income". Government grants that are receivable as a compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Emission rights

The Group recognizes the emission credits in the consolidated financial statements based on the net liability method. Under this method only those liabilities that are expected to result from exceeding the emission credit quotas granted are recognized.

The Group estimates its annual emission volumes at the end of each reporting period and recognizes the total estimated additional liability for the expected excess of emission volumes at the fair value of additional units to be purchased or penalties to be incurred under the national legislation. The additional net liability is recognized in profit or loss based on unit of production method.

In case the Group estimates utilization of less than the allocated emission credits any potential income from the sale of unused emission credits is recognized only on actual sale of those credits.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment information is presented in respect of the Group's business and geographical segments and is determined based on the Group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Group's headquarters) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Dividends

Dividends are recorded as a liability in the Company's consolidated financial statements in the period in which they are approved by the Company's shareholders and reflected in a corresponding diminution of shareholders' equity.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities 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. The Company based its assumptions and estimates on parameters available when the consolidated 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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from budgets prepared by the Company and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the non-financial assets are disclosed and further explained in Note 6.

Taxes and deferred tax

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group established provisions, when necessary, based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the Company and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in that context.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Detailed information is disclosed in Note 7.

Defined benefit plans

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and longevity. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Detailed information is disclosed in Note 15.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Detailed information is disclosed in Note 30.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments, estimates and assumptions (continued)

Development costs

Development costs are capitalised in accordance with the accounting policy. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

In 2017 and 2016 there were no material capitalizations of development costs (Note 6).

Provision for decommissioning

The Company has recognized a provision for the rehabilitation of the premises where it deposits scrap from production. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, inflation rates, effective costs of works to be performed and the expected timing of these costs.

Detailed information is disclosed in Note 16.

The management uses critical accounting judgements also for the estimation of the useful life of tangible and intangible assets, deferred taxes, provisions and allowances for receivables and inventories, impairment of financial assets and contingent liabilities.

4 PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
At January 1, 2016	**20,057**	**199,883**	**387,763**	**107,129**	**16,152**	**-**	**730,984**
Additions	-	916	835	49	30,463	-	32,263
Transfers*)	-	10,176	11,172	6,382	(27,730)	-	-
Disposals and write off	-	(592)	(3,014)	(25,859)	-	-	(29,465)
Translation adjustment	-	1,362	1,600	2,036	427	-	5,426
At December 31, 2016	**20,057**	**211,746**	**398,356**	**89,737**	**19,311**	**-**	**739,208**
Additions	-	-	28	238	62,226	-	66,922
Transfers	-	10,739	8,805	28,149	(47,693)	4,430	-
Disposals and write off	-	(2,869)	(3,388)	(5,982)	-	-	(12,239)
Translation adjustment	-	(3,084)	(3,712)	(7,054)	(1,041)	(67)	(14,958)
At December 31, 2017	**20,057**	**216,532**	**400,089**	**105,089**	**32,803**	**4,363**	**778,933**

*) Transfers include the capitalization of an intangible asset in progress onto a tangible asset.

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation and impairment

Accumulated depreciation	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
At January 1, 2016	**-**	**127,788**	**336,705**	**66,238**	**-**	**-**	**530,731**
Depreciation expenses	-	11,165	17,890	9,914	-	-	38,969
Eliminated on disposals and write off of assets	-	(215)	(3,007)	(25,859)	-	-	(29,081)
Transfer between categories	-	-	-	-	-	-	-
Translation adjustment	-	704	1,331	1,088	-	-	3,123
At December 31, 2016	**-**	**139,441**	**352,920**	**51,381**	**-**	**-**	**543,743**
Depreciation expenses	-	15,130	15,500	9,016	-	-	39,645
Eliminated on disposals and write off of assets	-	(5)	(3,386)	(4,189)	-	-	(7,579)
Transfer between categories	-	-	-	-	-	-	-
Translation adjustment	-	(1,595)	(3,135)	(3,651)	-	-	(8,382)
At December 31, 2017	**-**	**152,971**	**361,898**	**52,557**	**-**	**-**	**567,427**

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Accumulated depreciation and impairment (continued)

Allowance for impairment	Land	Buildings and special constructions	Plant and machinery	Equipment and vehicles	Capital assets in progress	Advances for fixed assets	Total
At January 1, 2016	**-**	**120**	**13**	**926**	**1,792**	**-**	**2,851**
Impairment losses recognized in profit or loss	-	-	111	-	-	-	111
Reversals of impairment losses recognized in profit or loss	-	-	-	-	-	-	-
At December 31, 2016	**-**	**120**	**124**	**926**	**1,792**	**-**	**2,962**
Impairment losses recognized in profit or loss	-	-	-	-	-		-
Reversals of impairment losses recognized in profit or loss	-	(3)	-	-	-	-	(3)
At December 31, 2017	**-**	**116**	**124**	**926**	**1,792**	**-**	**2,959**
Net book value							
At December 31, 2016	**20,057**	**72,185**	**45,312**	**37,429**	**17,520**	**-**	**192,503**
At December 31, 2017	**20,057**	**63,445**	**38,066**	**51,606**	**31,011**	**4,363**	**208,548**

Alum S.A. recorded full provision for the future cost of rehabilitating the red mud lake. The change in the year decreased the value of the fixed asset as of December 31, 2017 by RON 2,864 thousand (2016: +RON 813 thousand) (see Note 16). The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are estimated to be incurred up to 2023, which is when the storage on the site should be either closed or extended.

SMHL recorded a provision based on technical assessment to restore and rehabilitate the affected mining areas for the related costs required to be incurred. The technical assessment was performed by an external expert, the provision was recorded in 2014 and unwinding of the discount of RON 519 thousand is recognized in the current year (2016: RON 495 thousand) (Note 16).

No borrowing costs were capitalized in 2017 and in 2016.

4 PROPERTY, PLANT AND EQUIPMENT (continued)

As of December 31, 2017 property, plant and equipment of the Group have been pledged to secure the contracted borrowings with a carrying amount of RON 15,746 thousand (December 31, 2016: RON 132,715 thousand) (Note 14).

The gross book value of the fully amortized fixed assets as of December 31, 2016 is in amount of RON 324,787 thousand (2016: RON 300,814 thousand).

Impairment tests for property, plant and equipment

There were no impairment indications identified for the company, therefore no impairment test of the property, plant and equipment was performed as at 31 December 2017.

As at 31 December 2016, the management of Alum carried out an impairment test of the property, plant and equipment. The resulting recoverable value was higher than their net book value, so no impairment was recognized.
The recoverable value of the cash generating unit (CGU) Alum was determined based on a fair value of CGU less costs to sell calculation by using future cash flows extracted from the business plan for the next 5 years estimated by the management of the company. The cash flows in perpetuity beyond this period were extrapolated by using a growth rate of 1% per annum, in line with forecast inflation. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 30).

The key assumptions for the cash-generating unit Alum are:

	2016
Discount rate, after-tax	11.00%
Growth rate	5.54%
EBITDA margin	8.93%

The estimated recoverable amount of the CGU Alum exceeded its carrying amount by approximately RON 121.970 thousand. The following table shows the amount up to which the key assumptions used would need to change individually for the estimated recoverable amount to be equal to the carrying amount at 31 December 2016:

	CGU Alum
Discount rate, after-tax	16.58%
Growth rate	0.32%
EBITDA margin	7.42%

5 INTANGIBLE ASSETS

Cost	Development expenses	Other intangibles	Advances for intangibles	Total
At January 1, 2016	**4,367**	**15,652**	**-**	**20,020**
Acquisition of subsidiary	-	-	-	-
Additions	-	111	-	111
Transfers	-	-	-	-
Disposals	-	-	-	-
Translation adjustment	-	580	-	580
At December 31, 2016	**4,367**	**16,343**	**-**	**20,711**
Additions	-	979	-	979
Transfers to fixed assets	-	-	-	-
Disposals	-	-	-	-
Translation adjustment	-	(1,572)	-	(1,572)
At December 31, 2017	**4,367**	**15,751**	**-**	**20,118**

Accumulated Amortization	Development expenses	Other intangibles	Advances for intangibles	Total
At January 1, 2016	**4,367**	**15,209**	**-**	**19,576**
Amortization expense	-	186	-	186
Eliminated on disposals of assets	-	-	-	-
Translation adjustment	-	571	-	571
At December 31, 2016	**4,367**	**15,966**	**-**	**20,333**
Amortization expense	-	619	-	619
Eliminated on disposals of assets	-	-	-	-
Translation adjustment	-	(1,526)	-	(1,526)
At December 31, 2017	**4,367**	**15,060**	**-**	**19,427**
Net book value				
At December 31, 2016	**-**	**378**	**-**	**378**
Net book value				
At December 31, 2017	**-**	**691**	**-**	**691**

Other intangible assets refer to software programs, licenses and exploration assets.

6 GOODWILL

COST

	2017	2016
Balance at beginning of year		
Goodwill at acquisition of Global Aluminium Ltd. by Vimetco N.V. (former parent)	108,266	104,352
Additions	-	-
Translation adjustment	(10,360)	3,915
Balance at end of year	**97,906**	**108,266**

ACCUMULATED IMPAIRMENT LOSSES

	December 31, 2017	December 31, 2016
Balance at beginning of year:		
Impairment on goodwill at acquisition of Global Aluminium Ltd. by Vimetco N.V. (former parent)	(29,034)	(27,984)
Additions	-	-
Translation adjustment	2,778	(1,050)
Balance at end of year	**(26,256)**	**(29,034)**
CARRYING AMOUNT		
Balance at beginning of year	**-**	**-**
Balance at end of year	**71,650**	**79,232**

The recoverable amount of cash-generating units operating in Sierra Leone (Global Aluminium Ltd.) was determined based on fair value less costs of disposal, estimated using discounted cash-flow techniques and applying a market-based measurement. Financial forecasts estimated by the directors cover a five-year period (2016: 5 years).The after-tax discount rate is of 17.2% per annum until 2018, being the estimated period of depletion for measured reserves and 19.2% per annum thereafter for indicated and inferred mineral reserves due to the higher risk or uncertainty (2016: 19.2% until 2017 and 21.2% afterwards). The cash flows beyond the five-year period have been extrapolated until the year 2027, when the estimated reserves (measured, indicated and inferred) will be fully used with a 2% growth rate (2016: 2%) (in line with forecasted inflation rate), except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used (see Note 30).

The key assumptions for the cash-generating unit Global Aluminium Ltd. are:

	2017	2016
Discount rate	17.2%	19.2%
Growth rate (average of next five years)	3.2%	4.5%
EBITDA margin	19.9%	24.9%

The discount rate is the CGU weighted-average of the cost of equity of 18.3% (2016: 23%), calculated based on the average unlevered betas of comparable companies within the industry and of a cost of debt after tax of 6.0% (2016: 9.7%), using the CGU's debt leverage of 9.3% (2016: 28.3%).

Growth rates during the next five years are based on current contract with Alum reflecting the price in the market for long term contracts and on company's intention to develop sales to third party clients.

EBITDA margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the external analysis and the expected future sales volumes and prices, coupled with company's cost cutting efforts.

6 GOODWILL (continued)

The most sensitive key assumption used in impairment test of CGU Global Aluminium Ltd. are the growth rate (average of next five years) and EBITDA margin. A decrease of the growth rate to 1.95% and a decrease of EBITDA margin to 12.4% applied separately, would cause the estimated recoverable amount to be equal to the carrying amount (2016: a decrease of EBITDA margin to 11.8%). For the other assumptions management considers that there are no reasonably possible modifications that would lead to an impairment of the goodwill allocated to CGU Global Aluminium Ltd.

7 INCOME TAXES

Income tax recognized in consolidated income statement:

	Year ended December 31, 2017	Year ended December 31, 2016
Current tax		
Current tax for the year	8,848	(323)
	8,848	**(323)**
Deferred tax		
Deferred tax (credit)/expense for the year	(46,110)	(5,064)
	(46,110)	**(5,064)**
Total income tax expense/(credit) recognized in the period	**(37,262)**	**(5,387)**

The income tax expense for the year can be reconciled to the accounting profit as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Result before tax	**49,941**	**(10,898)**
Weighted average tax rate applicable to the Group	17.72%	2.96%
Income tax calculated with the weighted average tax rate	(8,848)	323
Effect of income that is exempt from taxation	(545)	(406)
Effect of expenses that are not deductible in determining taxable profit	14,055	2,153
Effect of utilization of previously unrecognized tax losses	(4,804)	(6,110)
Efect of capitalisation of previously unrecog. tax loss	(49,006)	(1,023)
Effect of current year tax losses for which no deferred tax asset was recognized	-	-
Over/underprovision of prior year tax accrual	3,039	-
Income tax (credit)/expense reported in the statement of profit or loss	**(37,262)**	**(5,387)**

The tax rate used for reconciliations above is the corporate tax rate payable by each company of the Group on taxable profits under the tax law applicable in the jurisdictions where they operate (i.e., Romania: 16%, Sierra Leone: 30%)

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

7 INCOME TAXES (continued)

	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Translation adjustment	Closing balance
Property, plant and equipment	(12,041)	1,684	-	-	(10,357)
Borrowings	(23)	23	-	-	-
Inventories	1,158	(146)	-	-	1,012
Trade receivables and other current assets	141	(105)			36
Provisions	4,582	(319)	-	-	4,263
Retirement benefits obligation	985	11	82	-	1,078
Trade payables and other liabilities	-	-	-	-	-
Tax losses capitalized	15,615	44,962	-	(1,938)	58,639
Deferred tax asset	**10,417**	**44,172**	**82**	**(1,938)**	**54,671**

Tax loss expiring	Gross amount	Tax effect
Within 1 year	-	-
1 - 2 years	2,078	623
2 - 5 years	150,134	30,035
More than 5 years	109,285	27,981
Total	**261,497**	**58,639**

Deferred tax from fiscal loss relates to the Parent Company and Sierra Mineral Holdings I, Ltd. and the management believes there will be sufficient taxable profits in the future against which these fiscal losses could be used. The losses can be carried forward and used against future taxable profits for a period of maximum 7 years in Romania and 10 years in Sierra Leone (losses used cannot exceed 50% of the taxable profits for the year in Sierra Leone).

At Sierra Mineral Holdings I, Ltd., the future taxable profits were based on financial forecasts estimated by the directors at 31 December 2017 and cover a five-year period. The cash flows beyond the five-year period have been extrapolated until the year 2027, when the estimated reserves (measured, indicated and inferred) will be depleted at a 2% growth rate in line with the forecast inflation, except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The main assumptions used in the forecast are the average sales growth of 3.16% per annum, average EBITDA margin of 19.86% and a profit before tax margin of 14.85% per annum. As the result of the forecast, the management expects to use an amount of RON 156,886 thousand from total RON 253,901 of prior years' accumulated tax losses to offset its future taxable profits by the end of the respective carry forward period. The forecasts are most sensitive to the average growth rate and EBITDA margin. A decrease in the forecasted average growth rate by 1.0% would reduce the deferred tax assets by RON 4,600 thousand and a decrease in the forecasted EBITDA margin by 1.0% would reduce the deferred tax assets by RON 3,100 thousand.

8 INVENTORIES

	December 31, 2017	December 31, 2016
Raw materials	43,490	35,249
Consumables	34,841	33,668
Finished goods	13,861	12,276
Work in progress	49,694	45,899
Semi-finished goods	3,111	4,699
Other	270	294
Allowance for inventories	(10,059)	(11,099)
Total	**135,208**	**120,987**

The movement in the allowance for inventories is presented below:

	2017	2016
Balance at beginning of the year	11,099	14,287
Change during the current year	14	-
Release during the current year	-	(3,586)
Translation adjustment	(1,054)	398
Balance at end of the year	**10,059**	**11,099**

The value of the expensed inventories in 2017 is of RON 236,803 thousand (2016: RON 214,307 thousand).

9 TRADE RECEIVABLES

	December 31, 2017	December 31, 2016
Foreign trade receivables	8,578	796
Domestic trade receivables	5,784	11,210
Allowance for doubtful receivables	(232)	(637)
Total trade receivables	**14,130**	**11,369**

There are two customers representing individually more than 10% of the total balance of trade receivables as at December 31, 2017 (December 31, 2016: 2 customers).

Movement in the allowance for doubtful trade receivables is as follows:

	December 31, 2017	December 31, 2016
Balance at beginning of the year	637	1,020
Charge in the current year	5	349
Release in the current year	(410)	(732)
Balance at end of the year	**232**	**637**

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the customers from the date credit was initially granted up to the reporting date. Accordingly, the Group's management believes that there is no further need for any allowance in excess of the allowance for doubtful trade receivables already recorded in these consolidated financial statements.

9 TRADE RECEIVABLES (continued)

In the table below is an analysis of the trade receivables as at December 31, 2017 and December 31, 2016:

Trade receivables

	December 31, 2017	December 31, 2016
Not past due and not impaired	8,329	2,284
Past due but not impaired	5,801	8,925
Impaired receivables assessed on an individually basis	-	145
Past due more than 9 months and impaired	232	652
Less: Allowance for doubtful receivables	(232)	(637)
Total	**14,130**	**11,369**

Aging of receivables that are past due but not impaired:

	December 31, 2017	December 31, 2016
Less than 3 months	1,634	2,081
3 months to 6 months	12	39
6 months to 9 months	102	340
More than 9 months	4,054	6,465
Total trade receivables past due but not impaired	**5,801**	**8,925**

10 OTHER RECEIVABLES

	December 31, 2017	December 31, 2016
Advances to suppliers	2,093	2,064
VAT recoverable	163	150
Other debtors	2,467	1,931
Prepayments	1,950	1,071
Allowance for other doubtful debtors	(16)	(16)
Total other current assets	**6,657**	**5,200**

The movement in the allowance for other current assets is as follows:

	December 31, 2017	December 31, 2016
Balance at beginning of the year	16	16
Released in the current year	-	-
Balance at end of the year	**16**	**16**

11 CASH AND CASH EQUIVALENTS

Cash and cash equivalents can be analyzed as follows:

	December 31, 2017	December 31, 2016
Cash at banks in RON	1,495	462
Cash at banks in foreign currency	2,421	556
Cash in hand in RON	12	13
Cash equivalents	-	-
Restricted cash	6,519	444
Total cash and cash equivalents	**10,447**	**1,475**

Restricted cash represents cash collateral deposited at banks with the purpose of maintaining a required level of liquidity in respect of interest payable on the borrowings.

On 31 December 2017 ALUM S.A. has letters of credit with cash collateral transfers opened at CEC Bank in amount of EUR 1,391 thousand (RON 6,484 thousand).

The letters of credit have been opened to guarantee the payment of contracts for equipment purchases.

12 ISSUED CAPITAL

The statutory share capital as of December 31, 2017 and December 31, 2016 is as follows:

	Statutory figures					
	December 31, 2017			December 31, 2016		
SHAREHOLDERS	Number of shares	Nominal Value RON (thousand)	%	Number of shares	Nominal Value RON (thousand)	%
ALRO SA	81,595,860	485,495	99.4026	81,595,860	485,495	99.4026
Individuals	488,354	2,906	0.5949	481,756	2,867	0.5869
Companies	1,989	12	0.0024	8,587	51	0.0105
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

The major shareholder of Alum S.A. is Alro S.A. Slatina owned by VIMETCO N.V. Netherlands owned by ViHolding N.V. (Netherland Antilles) a company controlled by a MAXON LIMITED.

13 RESERVES

	December 31, 2017	December 31, 2016
Legal reserve	9,004	8,332
Other reserves	38,778	43,565
Total reserve	**47,782**	**51,897**

The legal reserve is made up at 20% of the issued and paid shared capital of the Company, according to the regulations in force, it is not distributable and its utilization is strictly regulated by the laws.

Other reserves include mainly amounts that were generated by statutory revaluation of fixed assets.

14 BORROWINGS

	December 31, 2017	December 31, 2016
Long-term borrowings		
Long-term loans (see also Note 27)	10,632	10,608
Bank loans, non-current	**10,632**	**10,608**
Long-term finance lease	292	325
Total long-term borrowings and finance lease	**10,924**	**10,933**
Short-term borrowings		
Short-term portion of long-term bank loans	1,018	23,485
Short-term bank loans, total	**1,018**	**23,485**
Short-term finance lease	470	289
Total short-term borrowings and finance lease	**1,488**	**23,774**
Total borrowings and finance lease	**12,412**	**34,707**

In January 2016 Alum S.A concluded a loan agreement with Raiffeisen Bank for working capital financing in amount of RON 41,770 thousand, reimbursable in 8 equal installments starting with February 2016. The last installment has been paid in November 2017.

The borrowing was secured by property, plant and equipment, by actual and future accounts receivable and by the current bank accounts of the Entity.
The interest for this borrowing was ROBOR 3M+3.5% and, in 2017, the interests rates ranged between 4.4% and 4.5% (2016: between 4.35% and 4.49%).

The Subsidiary has a credit line from FiBank in the amount of SLL 750,000 thousand at an interest rate of 21% per year. As at December 31, 2016 this loan was drawn down in amount of SLL 625,371 thousand. The initial duration of one year starting from April 2015 has been extended until June 2017. At the expiration of the contract it hasn't been extended.

Also, the Subsidiary has a line of credit from Sierra Leone Commercial Bank, in SLL, equivalent to USD 500,000 at an interest rate of 18% per year. The initial duration of one year starting from April 2015 has been extended until June 2018. As at December 31, 2017 the amount drawn down was USD 99 thousand (SLL 749,303 thousand) (2016: USD 125 thousand, SLL 915,577 thousand respectively).

A new loan was obtained from Sierra Leone Commercial Bank, in SLL, in March 2016 in amount of SLL 5,950,000 thousand for acquisition of barges, with term of repayment in 24 months and with grace period of three months. The related interest rate is 18% and the loan is secured with pledge over equipment. As at December 31, 2017 the outstanding balance of the loan was in the amount of SLL 1,239,583 thousand (2016: SLL 4,462,500 thousand).

As at December 31, 2017 the outstanding balance of the long-term unsecured borrowing provided to Sierra Mineral Holdings I Ltd. by Conef S.A. is in the amount of RON 10,632 thousand (2016: RON 9,877 thousand). The interest rate for this related party borrowing is of EURIBOR+4.5%. The repayment of loan was postponed up to July 2019.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	December 31, 2017	December 31, 2016
RON	-	20,825
EURO	10,632	9,877
SLL	1,018	3,391
Total	**11,650**	**34,093**

14 BORROWINGS (continued)

In 2017 ALUM S.A. has two ongoing finance leasing agreements for the purchase of two backhoes for a period of 3 years. The book value of leased assets as of December 31, 2017 at Company level was RON 1,152 thousand (31 December 2016: RON 800 thousand).

The minimum lease payments for finance leases are set out below:

	December 31, 2017	December 31, 2016
Lease instalments falling due:		
Within 1 year	485	306
1 to 5 years	298	331
Total lease instalments	**783**	**637**
Less: future finance charges	21	23
Present value of lease obligations	**762**	**614**
Thereof:		
Short-term finance lease obligation (less than 1 year)	470	289
Long-term finance lease obligations (1 to 5 years)	292	325

15 RETIREMENT BENEFIT OBLIGATION

Defined contribution plans

The employees of the Group are members of the state-managed retirement benefit plan and starting with January 1, 2008 can/must (for employees above/under the age of 35 required) subscribe to private pension funds. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Defined benefit plans

According to the Collective Labor Agreement of the Company, when retiring due to age or disease, the employees benefit from a retirement bonus which is computed based on the number of years of work and varies between 1 and 6 salaries.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2017 by an independent actuarial specialist. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2017	December 31, 2016
Expected rate of salary increase (%)	4.21	3.94
Discount rate (%)	4.19	3.69
Expected inflation rate (%)	2.73	2.48

15 RETIREMENT BENEFIT OBLIGATION (continued)

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	Year ended December 31, 2017	Year ended December 31, 2016
Recognized into P&L		
Current service cost	818	581
Interest on obligation	237	297
Benefits paid	(692)	(1,833)
Recognized into OCI		
Actuarial gain/(loss) due to changes in assumptions	757	(108)
Total	**1,120**	**(1,063)**

The amount included in the balance sheet arising from the Group's obligation in respect of its defined benefit plans is as follows:

	December 31, 2017	December 31, 2016
Net liability arising from defined benefit obligation as of January 1	4,618	5,650
Net costs/(gains) recognized	1,120	(1,063)
Translation adjustment	(242)	31
Net liability arising from defined benefit obligation as of December 31	**5,496**	**4,618**

16 DECOMISSIONING PROVISIONS

The provision recorded as of December 31, 2017 relates to the expected site restoration expenses in respect of the bauxite mine operated by Sierra Mineral Holdings I Ltd and Alum's waste dump (red mud lake) closing expenses.

Alum S.A. makes full provision for the future cost of decommissioning and rehabilitating the storage facilities for residual product (red mud) on a discounted basis.
The rehabilitation provision represents the present value of rehabilitation costs relating to the site, which are expected to be incurred up to 2023, which is when the storage on the site should be either closed or significantly extended.

This provision has been recorded based on the estimates made by the experienced constructions engineering specialists from IPROLAM as of December 31, 2017. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. Also, the timing of rehabilitation is likely to depend on when the site cease to store at economically viable rates. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time.

The discount rate used in the calculation of the provision as at 31 December 2017 was 4.02% (2016: 3. 31%).

16 DECOMISSIONING PROVISIONS (continued)

SMHL recognizes in full the provision for the future costs of rehabilitating the environment disturbed as a result of the mining activities.

SMHL recorded the provision based on technical assessment to restore and rehabilitate the affected mining areas for the related costs required to be incurred. The technical assessment was performed by an external valuation expert, provision started in 2014 and unwinding of the discount of RON 519 thousand is recognised in the current year (2016: RON 495 thousand).

	January 1, 2016	Change in provision	Recognition of discount unwinding	December 31, 2016
Provision for land restoration	8,691	-	495	9,186
Translation adjustment	2,036	-	432	2,469
Provision for Alum waste dump	19,170	813	691	20,674
Total long-term provision	**29,897**	**813**	**1,618**	**32,329**

	January 1, 2017	Change in provision	Recognition of discount unwinding	December 31, 2017
Provision for land restoration	9,186	-	519	9,704
Translation adjustment	2,469	-	(1,137)	1,332
Provision for Alum waste dump	20,674	(2,864)	684	18,494
Total long-term provision	**32,329**	**(2,864)**	**66**	**29,530**

17 GOVERNMENT GRANTS

	2017
Balance as of 1 January	-
Increases during the year	1.769
Revenues recorded during the year in the statement of profit or loss	-
Balance as of 31 December	**1.769**
Out of which:	
Current	-
Non-current	1.769

Under financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 " Investing in Sustainable Development ".

The project is to be developed in 24 month (August 2016-August 2018) for a total value of RON 20.1 million, out of which RON 12.6 million eligible subsidies (RON 6.3 million are non-reimbursable) and main object is the acquisition of various research and development equipment (hydrate drying equipment, grinding and ranking wet hydrate, etc.).

In 2017 there were signed the contracts for all three equipments, for a total value of EUR 3,638 thousand, were paid the advances for all contracts in amount of EUR 844 thousand and were opened letters of credit in amount of 1.391 th. EUR.

17 GOVERNMENT GRANTS (continued)

In 2017 ALUM SA received as non-refundable funds the amount of RON 1,598 thousand. The remaining amount of RON 171 thousand is included in current assets and will be received in January 2018 as part of the last reimbursement request.

The only achievement indicator to be pursued by the end of the project is the number of staff in the R & D department that needs to grow by 16 people by September 8th, 2018.

Result indicators, i.e. turnover and market share, are reported annually after the project activities have been completed, only to inform the Managing Authority, but their achievement / failure is verified with the appropriate consequences only at the end of the sustainability period in 2022.

18 TRADE AND OTHER PAYABLES

	December 31, 2017	December 31, 2016
Foreign trade payables	7,776	6,874
Domestic trade payables	73,464	75,712
Accrued trade payables	2,520	1,359
Total	**83,760**	**83,945**

Details regarding the Group transactions with the related parties are presented in Note 27.

19 OTHER CURRENT LIABILITIES

	December 31, 2017	December 31, 2016
Suppliers of fixed assets	5,912	2,264
Advances from customers (Note 27)	164,902	150,885
Wages and social security taxes	5,969	3,948
Tax on salaries	675	421
Other taxes	2,334	1,992
Dividends payable	5	5
VAT Payable	3,630	3,417
Other	470	1,163
Total	**183,897**	**164,095**

20 REVENUE

	Year ended December 31, 2017	Year ended December 31, 2016
Revenues from sales of alumina	634,689	554,473
Revenues from sales of bauxite	53,508	17,210
Other	21,654	15,981
Total	**709,851**	**587,664**

21 COST OF SALES

	Year ended December 31, 2017	Year ended December 31, 2016
Energy, water and gas	147,928	149,829
Raw materials	181,672	160,361
Staff costs	43,262	42,357
Other staff costs	3,899	3,597
Consumables expenses	48,712	48,767
Amortization and depreciation	36,561	38,441
Third party services	20,856	16,169
Repairs	4,492	4,115
Transportation costs	59,796	55,317
Packing	967	822
Other	39,868	31,992
(Decrease)/increase in allowances for slow moving and obsolete inventories	15	(3,585)
Total	**588,028**	**548,182**

In 2017, the Group recognized employment benefits expenses representing salaries and other staff costs of RON 81,206 thousand (in 2016: RON 68,036 thousand) in the Statement of profit or loss.

22 OTHER OPERATING INCOME

	Year ended December 31, 2017	Year ended December 31, 2016
Income from sale of unused CO2 emission rights	-	-
Other income	4,926	3,965
Total	**4,926**	**3,965**

23 GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2017	Year ended December 31, 2016
Energy, water and gas	46	53
Consumables expenses	5,452	4,357
Staff costs	28,343	22,955
Staff restructuring expenses	351	1,702
Consulting	2,721	2,549
Third party services	10,969	9,743
Amortization and depreciation	2,746	2,155
Taxes	1,869	2,130
Other staff costs	4,780	3,163
Insurance premiums	2,512	1,739
Commissions and fees	324	263
Other	5,555	4,886
Change in allowance for doubtful debts	(405)	(383)
Total	**65,263**	**55,312**

24 OTHER GAINS AND LOSSES

	Year ended December 31, 2017	Year ended December 31, 2016
Foreign exchange differences	7,416	(8,879)
Net result on disposal of fixed assets	1,352	383
Total	**8,768**	**(8,496)**

25 FINANCE COSTS, NET

	Year ended December 31, 2017	Year ended December 31, 2016
Interest income	(4,157)	(3,052)
Interest expense	3,313	5,654
Interest from discounting provisions	1,202	1,187
Bank commissions	861	912
Total	**1,219**	**4,701**

26 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of outstanding ordinary shares during the year.

	Year ended December 31, 2017	Year ended December 31, 2016
Profit/(loss) attributable to the owners of the Company	87,203	(5,511)
Weighted average number of ordinary shares	82,086	82,086
Basic (losses)/earnings per share (RON/share)	1.06	(0.07)
Dividends paid per share (RON/share)	-	-

There are no equity instruments or share options in place as at December 31, 2017 and as at December 31, 2016 that could potentially dilute the basic earnings per share.

27 RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The main related parties the Group has recorded transactions with in 2017 and 2016 are: Alro S.A., Conef Gaz S.R.L., Conef S.A., Vimetco Power Romania S.R.L., Vimetco Management Romania S.R.L, Centrul Rivergate S.R.L., Vimetco Extrusion, Vimetco N.V.. These related party entities have the same ultimate shareholder as the companies of the Group.

27 RELATED PARTY TRANSACTIONS (continued)

Related party	Related party type	Transaction type
Alro S.A.	Shareholder	Sales/purchases of goods/services
Vimetco N. V., Netherlands	Shareholder	Sales/purchases of goods/services
Vimetco Management Romania S.R.L.	Common control	Purchases of goods and services
Vimetco Power	Common control	Sales of goods and services
Vimetco Extrusion	Common control	Sales/purchases of goods
Conef Gaz S.R.L.	Common control	Purchases of goods
Centrul Rivergate	Common control	Sales/purchases of goods/services

a) Loans provided to related parties

On July 30, 2014 Global Aluminium Ltd provided a loan to Vimetco N.V. in amount of USD 6,000 thousand. The amount increased up to USD 11,700 thousand according to the addendums signed on August 31, 2015 and June 27, 2016. At December 31, 2017 the amount of USD 11,695 thousand was drawn (2016: USD 10,845 USD). The loan is payable at the end of its term (July 2019). The interest rate for the loan is LIBOR+6.25%.

b) Other transactions

Purchases of goods and services	Year ended December 31, 2017	Year ended December 31, 2016
Vimetco Management Romania SRL	781	780
Alro SA	19,657	21,866
Conef Gaz SRL	129,472	133,766
Centru Rivergate SRL	4,236	3,049
Total	**154,145**	**159,461**

Sales of goods and services	Year ended December 31, 2017	Year ended December 31, 2016
Vimetco Power Romania SRL	1	1
Vimetco Extrusion	2	2
Alro SA	526,549	486,006
Centru Rivergate SRL	35	35
Total	**526,588**	**486,044**

Trade and other receivables	December 31, 2017	December 31, 2016
Vimetco Power Romania SRL	3,153	3,152
Conef Gaz SRL	82	1,450
Alro SA	299	13
Vimetco Extrusion	-	-
Vimetco N. V. Netherlands (loan)	54,345	52,035
Centru Rivergate SRL	4	4
Total	**57,882**	**56,035**

27 RELATED PARTY TRANSACTIONS (continued)

Trade and other payables	December 31, 2017	December 31, 2016
Vimetco N. V. Netherlands	-	-
Vimetco Management Romania SRL	-	-
Alro SA	205,507	193,550
Centru Rivergate SRL	-	-
Conef Gaz SRL	-	-
Total	**205,507**	**193,550**

Borrowings from related parties

As at December 31, 2017 the outstanding balance of the long-term unsecured borrowing provided to Sierra Mineral Holdings I Ltd. by Conef S.A. is in the amount of RON 10,632 thousand (2016: RON 9,877 thousand). The interest rate for this related party borrowing is of EURIBOR+4.5%. The repayment of loan was postponed up to July 2019.

Remuneration of directors

The remuneration (including social security taxes) of directors and other members of key management personnel during the year was in amount of RON 13,960 thousand (2016: 9,845 RON thousand).

28 SEGMENT INFORMATION

Business and geographical segments

For management reporting purposes, the Group is organized on a vertically integrated basis into two major operating divisions – bauxite and alumina. The divisions are the basis on which the Group reports its primary segment information. The bauxite segment produces bauxite – principal raw material for producing alumina. The alumina segment produces alumina - principal raw material for aluminium smelting. The bauxite mine is located in Sierra Leone and the alumina plant in Tulcea, Romania. Other operations include services providing to parent, subsidiaries and external customers.

Segment revenues and results for the year ended December 31, 2017 were as follows:

	Bauxite	Alumina	Elimination of inter-segment Transactions and others	Consolidated
External sales	74,405	635,446	-	709,851
Inter-segment sales	190,722	-	(190,722)	-
Total segment revenues (external sales +intersegment sales)	265,127	635,446	(190,722)	709,851
Total segment cost of revenues	(187,090)	(589,948)	189,011	(588,027)
Segment result (gross profit)	**78,037**	**45,497**	**(1,711)**	**121,823**
Administrative expenses				(65,263)
Unallocated corporate income / (expenses), net				3,368
Interest expenses				(5,376)
Interest income				4,157
Other gain/losses				(8,768)
Income tax				37,262
Profit for the year				**87,203**

The amount of RON 1,711 thousand, representing inter-segment transactions, is now included in the category "Inter-segment transactions and others ", and eliminated in the category "Cost of revenues".

28 SEGMENT INFORMATION (CONTINUED)

Segment revenues and results for the year ended December 31, 2016 were as follows:

	Bauxite	Alumina	Elimination of Inter-segment transaction and others	Consolidated
External sales	32,469	555,195	-	587,664
Inter-segment sales	190,003	-	(190,003)	-
Total segment revenues (external sales +intersegment sales)	222,472	555,195	(190,003)	587,664
Total segment cost of revenues	(169,033)	(563,305)	184,156	(548,182)
Segment result (gross profit)	**53,439**	**(8,110)**	**(5,847)**	**39,482**
Administrative expenses				(55,312)
Unallocated corporate income, net				1,138
Interest expenses				(7,753)
Interest income				3,052
Other gains and losses				8,496
Income tax				5,387
Loss for the year				**(5,511)**

The amount of RON 5,847 thousand, representing inter-segment transactions, is now included in the category "Inter-segment transactions and others ", and eliminated in the category "Cost of revenues".

28 SEGMENT INFORMATION (continued)

Segment revenue and expense

All segment revenues and expenses are directly attributable to the segments. Joint expenses are allocated to the business segments on the reasonable basis.

Inter-segment transfers

Segment revenue, segment expenses and segment result include transfers between business segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar goods. Those transfers are eliminated in consolidation.

Segment assets and liabilities

Segment assets and liabilities: segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and provisions. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two segments is allocated to the segments on a reasonable basis. Segment liabilities include all operating liabilities and consist principally of trade and other payables, wages, taxes payable and accrued liabilities. Segment assets and liabilities do not include deferred income taxes, borrowings and financial liabilities.

Segment assets and liabilities as at December 31, 2017 were as follows:

	December 31, 2017	December 31, 2016
Segment assets		
Bauxite	226,545	221,301
Alumina	459,104	439,272
Unallocated assets, out of which:	78,546	27,017
Property, plant and equipment	6,054	7,926
Inventories	26	26
Tax assets	54,671	10,417
Other short term assets	17,104	8,270
Other long term assets	691	378
Elimination of inter-segment balances	(207,847)	(212,399)
Total consolidated assets	**556,348**	**475,191**
Segment liabilities		
Bauxite	300,926	340,100
Alumina	257,318	253,316
Unallocated liabilities, out of which:	7,854	249
Other financial liabilities	2,218	249
Tax liabilities	5,636	-
Provisions	-	-
Elimination of inter-segment balances	(243,146)	(273,720)
Total consolidated liabilities	**322,950**	**319,945**

28 SEGMENT INFORMATION (continued)

Geographical segments - **Sales by market**

The following table shows the distribution of the Group's consolidated sales by geographical market, regardless of where the goods were produced:

	Year ended December 31, 2017	Year ended December 31, 2016
Romania	532,504	491,646
European Union	31,921	30,455
Non-EU European Countries	66,431	22,402
Other countries	78,995	43,161
Total	**709,851**	**587,664**

29 SUBSIDIARIES

Subsidiary name	Principal activity	No. of shares	Cost of acquisition (RON/share)	Voting rights (%)	Value (RON thousand)
Global Aluminium Ltd.	-bauxite production	3,400,000	24.29	100%	82,581
Total					**82,581**

On May 1, 2011 Alum acquired from Vimetco N.V. 100% of an investment company Global Aluminum Ltd. Global Aluminum Ltd. assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Minerals Holding I Ltd. and 100% shareholding in Bauxite Marketing Ltd.

The companies in Alum Group at December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017		December 31, 2016	
Subsidiary	**Shareholding**	**Votes**	**Shareholding**	**Votes**
Global Aluminum Ltd.	100.00%	100.00%	100.00%	100.00%
Bauxite Marketing Ltd.	100.00%	100.00%	100.00%	100.00%
Sierra Mineral Holdings I, Ltd.	100.00%	100.00%	100.00%	100.00%

30 FINANCIAL RISK MANAGEMENT

The Group’s activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group does not use derivatives to cover the above mentioned risks.

Risk management is carried out by the treasury function under policies approved by the Board of Directors. Treasury function identifies and evaluates financial risks in close co-operation with the Group’s operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

30 FINANCIAL RISK MANAGEMENT (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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.

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to the owners of the Company, comprising issued capital, reserves and accumulated deficit.

The Group's management analyses the capital structure on a regular basis. As a part of this analysis, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as per the balance sheet plus net debt.

The gearing ratio as at December 31, 2017 and December 31, 2016 was as follows:

	December 31, 2016	December 31, 2015
Total borrowings (Note 14)	12,412	34,707
Less: cash and cash equivalents (Note 11)	(10,447)	(1,475)
Net debt	**1,965**	**33,232**
Total equity	233,398	155,246
Total capital	**235,363**	**188,478**
Gearing ratio	**0.83%**	**17.63%**

Foreign currency risk management

The Group is exposed to foreign exchange risk because the predominant part of its sales of bauxite and calcined alumina is denominated in or linked to the USD while the significant part of its operating costs (e.g., wages, etc.) are denominated in or linked to the RON. The Group is therefore exposed to the risk that movements in the RON/USD exchange rates will affect both its net income and financial position, as expressed in RON.

The Group's foreign currency exposure results from:

- highly probable forecast transactions (sales/purchases) denominated in foreign currencies;
- firm commitments denominated in foreign currencies; and
- monetary items (mainly trade receivables, trade payables and borrowings) denominated in foreign currencies.

30 FINANCIAL RISK MANAGEMENT

Foreign currency risk management

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	December 31, 2017		December 31, 2016	
	Euro denominated	US Dollars denominated	Euro denominated	US Dollars denominated
	RON thousand	RON thousand	RON thousand	RON thousand
Total current assets	15,411	9,039	1,083	9,045
Total non-current assets	-	53,344	-	52,036
Total assets	**15,411**	**63,383**	**1,083**	**61,081**
Total short-term liabilities	10,101	39,717	3,161	41,824
Total long-term liabilities	10,704	-	10,035	-
Total liabilities	**20,805**	**39,717**	**13,196**	**41,824**

Foreign currency sensitivity

The Group is mainly exposed to the European Currency and the US Dollars. The following table details the Group's sensitivity to a 10% increase or decrease of the Romanian Lei against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible yearly change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the year end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency. A positive number indicates a positive gain in profit or loss and equity where the functional currency strengthens against the relevant foreign currency.

	December 31, 2017		December 31, 2016	
	Euro	US Dollars	Euro	US Dollars
	RON thousand	RON thousand	RON thousand	RON thousand
Profit or loss	539	(2,367)	1,211	(1,926)
Equity (net of income tax)	453	(1,988)	1,017	(1,618)

Interest rate risk management

As the Group has no significant interest-bearing assets, except the loan presented in Note 27, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The interest rate on its existing credit facilities are based on the London Interbank Offered Rate (LIBOR) for US Dollars borrowings, ROBOR for the RON denominated loans and EURIBOR for borrowings in Euro.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates on RON, EUR and US Dollars denominated borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the next reporting period in the case of borrowings linked to floating rates.

30 FINANCIAL RISK MANAGEMENT (continued)

Interest rate sensitivity (continued)

If interest rates would be higher/lower by 1% and all other variables would be constant, the Group's profit would increase/decrease by RON 104 thousand (2016: RON 305 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable interest rate for RON, USD and EUR denominated borrowings.

Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group carries out a very prudential policy for the commercial credit risk and covers credit risk by selling against letters of credit, bank guarantees or by non-recourse factoring.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

In the following tables are presented the financial liabilities of the company based on contractual maturities. The amounts represent undiscounted cash flows based on the earliest period required for the company to make the payments.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group's treasury function maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve (i.e., undrawn borrowing facilities and cash and cash equivalents) on the regular basis.

Year ended 31 December 2017

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	1,488	10,924	-	-	12,412
Accounts payable and accrued liabilities	34,237	49,523	-	-	-	83,760
Total	**34,237**	**51,011**	**10,924**	**-**	**-**	**96,172**

Year ended 31 December 2016

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	23,774	10,933	-	-	34,707
Accounts payable and accrued liabilities	39,626	44,319	-	-	-	83,945
Total	**39,626**	**68,093**	**10,933**	**-**	**-**	**118,652**

30 FINANCIAL RISK MANAGEMENT (continued)

Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are determined as follows:

• The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
• The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
• The fair value of derivative instruments is calculated using quoted prices.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from valuation techniques containing inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Management consider that the fair values of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their carrying amounts largely due to the short term maturities, low transaction costs of these instruments as of financial position date, and for the long-term borrowings due to the fact that thery were recently contracted.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables;
- Other current financial assets;
- Cash and cash equivalents;
- Trade and other payables;
- Borrowings.

Financial assets and liabilities

	December 31, 2017	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	14,130	-	-	14,130
Other current assets	6,657	-	-	6,657
Cash and cash equivalents	10,447	10,447	-	-
TOTAL FINANCIAL ASSETS	**31,234**	**10,447**	**-**	**20,787**
Financial liabilities				
Borrowings, long term	10,924	-	-	10,924
Trade and other payables	83,760	-	-	83,760
Borrowings, short term	1,488	-	-	1,488
TOTAL FINANCIAL LIABILITIES	**96,172**	**-**	**-**	**96,172**

30 FINANCIAL RISK MANAGEMENT (continued)

Financial assets and liabilities (continued)

	December 31, 2016	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	11,369	-	-	11,369
Other current assets	5,200	-	-	5,200
Cash and cash equivalents	1,475	1,475	-	-
TOTAL FINANCIAL ASSETS	**18,044**	**1,475**	**-**	**16,569**
Financial liabilities				
Borrowings, long term	10,933	-	-	10,933
Trade and other payables	74,204	-	-	74,204
Borrowings, short term	23,774	-	-	23,774
TOTAL FINANCIAL LIABILITIES	**118,652**	**-**	**-**	**118,652**

31 CONTINGENCIES AND COMMITMENTS

Legal cases

As at December 31, 2017 and December 31, 2016, the Group was subject to a number of lawsuits resulted from the normal course of business. Management believes that these actions, except for those already provisioned as of those dates (Note 9), will not have a negative impact on the consolidated financial performance and consolidated financial position of the Group.

Taxation

The taxation system in Romania is undergoing a continuous development phase and is subject to various interpretations and constant changes which may sometimes be retroactive.
In certain cases, tax authorities can treat differently certain aspects, calculating supplementary tax and interests of 0.02 % per day plus penalties of 0.01% per day. Under this conditions, the annual interest level could reach 7.32% compared to the previous value of 10.95%.

Starting with January 1, 2016 the fiscal procedure Code has been modified by the MFO 3834/29.12.2015 and has been introduced a new penalty for not declaring. Thus, for the main tax obligations undeclared or incorrectly declared by the tax payers and determined by the fiscal inspectors through tax notices, the tax payers owe a penalty of 0.08% per day, from the day immediately following the due date until the settlement date for the due amount.

The Romanian fiscal year remains open for tax audit for a period of 5 years. The management considers that the tax liabilities included in these separate financial statements are adequate.

In accordance with the requirements issued by the Romanian Ministry of Public Finance, which relates to the fiscal treatment of the elements of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts, due to their nature, should the Romanian entities members of the Group change in the future the destination of the statutory revaluation reserves (to cover losses or to distribute to the shareholders), this will lead to additional income tax liabilities.

Environment

For a description of the environmental obligation see Note 16.

31 CONTINGENCIES AND COMMITMENTS

Commitments

As of December 31, 2017 the Group has investment commitments for the year 2018 in amount of USD 3,511 thousand (December 31, 2016: USD 1,456 thousand).

The Group has various contracts concluded as of December 31, 2017 for the acquisition in 2018 of raw materials, electricity and other materials and consumables in the amount of EUR 11,903 thousand, USD 148,497 thousand and RON 14,544 thousand, respectively (December 31, 2016: EUR 17,797 thousand, USD 105,043 thousand and RON 13,975 thousand, respectively).

In 2017 the Group has ongoing operating lease contract for vehicles, with lease terms of up to 5 years. The operating lease expense amounted in 2017 to RON 10,970 thousand (in 2016: RON 5,825 thousand).

The future amounts of minimum lease payments under non-cancellable operating leases as at December 31, 2017 are as follows:

ALUM

	December 31, 2017	December 31, 2016
Within 1 year	153	62
1 to 5 years	326	113
Total	**479**	**175**

SMHL

	December 31, 2017	December 31, 2016
Within 1 year	-	2,956
1 to 5 years	-	-
Total	**-**	**2,956**

Under financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 "Investing in Sustainable Development".

The project is to be developed in 24 month (August 2016-August 2018) for a total value of RON 20.1 million, out of which RON 12.6 million eligible subsidies (RON 6.3 million are non-reimbursable) and main object is the acquisition of various research and development equipment (hydrate drying equipment, grinding and ranking wet hydrate, etc.).

In 2017 there were signed the contracts for all three equipments, for a total value of EUR 3,638 thousand, were paid the advances for all contracts in amount of EUR 844 thousand and were opened letters of credit in amount of 1.391 th. EUR. In 2017 ALUM S.A. received as non-refundable funds the amount of RON 1,598 thousand.

32 AUDITOR'S FEE

This note shows the total remuneration payable by the Group and the Company, excluding VAT, to our principal auditors, Ernst & Young Assurance Services SRL for the financial years mentioned below.

	December 31, 2017	December 31, 2016
Statutory audit annual	205	204
Non-audit services	17	-
Total	**222**	**204**

33 SUBSEQUENT EVENTS

On 11 January 2018, the Extraordinary General Shareholders' Meeting of Alum approved the contracting of two loan facilities amounting to USD 20 million with Black Sea Trade and Development Bank and USD 5 million with Garanti Bank Romania S.A., respectively. The scope of these loan facilities are mainly investments, and they will be repaid in seven half-yearly instalments after a grace period of two years. The loans will be secured with property, plant and equipment of Alum, with inventories, receivables and current accounts.

ALUM GROUP

Directors' Consolidated Report

- 2017 -

SUMMARY

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2.1. Consolidated Balance Sheet for year ending 2017
2.2. Consolidated Profit and Loss Account for 2017

Management Consolidated Report for 2017

Introduction

The ALUM GROUP component entities and the respective shareholding as at 31.12.2017 are presented in the table below:

No.	Company	Parent company	Shareholding
1.	Alro SA Slatina	-	-
2.	Alum SA Tulcea	ALRO SA Slatina	99.40 %
3.	Global Aluminium Ltd.	ALUM SA Tulcea	100 %
4.	Bauxite Marketing Ltd.	Global Aluminium Ltd.	100 %
5.	Sierra Mineral Holdings 1, Ltd.	Global Aluminium Ltd.	100 %

1.1. ALUM GROUP orientation

The main goal of ALUM GROUP is to continue its efforts to capitalize its human and material resources in order to be among the profitable and competitive companies on the alumina market.

For this purpose ALUM GROUP established the following main objectives:

- Ongoing implementation of co-financed with UE funds investment project according with agreed schedule with ANCSI, investment project which will lead to an increasing of ALUM's efficiency and competitiveness;
- Beginning the implementation of one new co-financed with UE funds investment project designed to assure operational continuity by increasing the red mud pond life period and increasing the possibilities of red mud valorification.
- Conformation with provisions of Action Plan agreed with ANRE in order to fulfill the conditions imposed by the provisions of GD no. 495/2014 and installation of modern burning system at the boiler no. 4 to decrease the NOx emissions level under 100 mg/Nmc.
- Continuation to ensure safe red mud pond functioning and extension the life time period;
- Continuation of the modernization process in order to meet the new demands regarding the economical efficiency, environmental protection and social responsibility;
- Ensurring raw materials and energy resources on long term basis;
- Increasing the energetical efficiency for the entire production process;
- Active management of contractual and market risks (financial), taking into account the evolution of the domestic and international market;
- Continuous compliance with environmental rules;
- Developping new products and activities.

Financial Highlights

Consolidated Financial Statements		**2017**	**2016**
Sales	RON million	710	588
EBITDA[1]	RON million	99	26
EBITDA margin	RON million	13.98%	4.4%
Total assets	RON million	556	475
Shareholder's equity	RON million	233	155
Net debt[2]	RON million	2	33
Earning per share	RON	1.06	(0.07)
Equity per share	RON	2.84	1.89

1.1. ALUM GROUP orientation (continued)

Financial Highlights (continued)

Production			
Alumina production	metric tonnes	472,606	467,031
Bauxite production	metric tonnes	1,787,716	1,368,531
Average number of employees		1,193	1,164

[1]EBITDA: profit before tax, net finance items, other gains and losses, depreciation, amortization and impairement

[2]Net debt: total of short and long-term loans, loans from related parties and lease obligations less cash and cash equivalents

Main development directions of ALUM GROUP

ALUM

The future development projects which ALUM intends to implement these are the continuation of projects of previous years, in particular energy efficiency projects and environment projects presented briefly below:

1. Projects to ensure plant operational continuity and to increase the red mud pond lifetime, consisting of :
   - Increasing the storage capacity of the red mud pond by elevating the dikes throughout the perimeter;
   - Purchasing press filters for disposal bauxite residue moisture decreasing;
   - Red mud pipe, length 4,5 km (refinery to red mud pond).
2. Projects for efficient and safe operation of industrial facilities:
   - Reducing emissions and increasing energy efficiency by installing a low NOx combustion system at boiler no. 4;
   - Burned gases fan for Steam Boiler no 2;
   - Consolidation foundations Precipitation tanks;
   - Filtering process control efficiency enhancing by acquiring and installing vertical filters;
   - Thermal energy recovery system from combustion gases of steam boilers;
   - Increasing energy efficiency by thermal isolation of vessels and technological paths;
   - Acquisition and installation a disc filter for coarse seed;
   - Investments for maintenance and improvement of equipment parameters - Alum (PPE);
   - Plant economic lightning;
   - Replacing the obsolete equipments, Endowments.
3. Projects to support ANRE proposals:
   - New natural gas burners at Steam Bolier no 1 (low Nox);
   - Optimization of steam lines and installing steam traps in 2 Digestion batteries;
   - Maintenance Capex (Digestion modernization - autoclaves registers and agitators for 2 Digestion and Evaporation batteries);
   - Modernization 6 kV electrical installations (capacitors, electric cells, electric circuits);
   - Increasing energy efficiency by installing frequency converters.
4. Projects for new ALUM products :
   - Increasing competitiveness by installing equipment to obtain wet and dry hydrate;
   - Site arrangement and installation of hydrate drying, grinding and classification equipments.

On 3 May 2011 Alum acquired from Vimetco N,V, 100% of an investment company Global Aluminium Ltd (GAL), Global Aluminium assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings 1, Ltd., and 100% shareholding in Bauxite Marketing Ltd.

1.1. ALUM GROUP orientation (continued)

Main development directions of ALUM GROUP (continued)

GAL

GAL's main subsidiary Sierra Mineral Holdings 1, Ltd. (SMHL), owns an operating bauxite mine under a mining lease with the Government of Sierra Leone, which occupies 322 square kilometres in the south of Sierra Leone. SMHL represents one component of the Group's production chain, being at the base of it: mining of bauxite. The bauxite obtained by SMHL is sold to Alum to be refined into the production of calcinated alumina, which serves in the aluminium production at Alro.

The executive board of SMHL consist of Alex Ivanov (CEO) and Abdul Bangura (CFO). The Board of Directors include three members, as follows: Pavel Machitski (Member), Steluta Despa (Member) and Roman Bulat (Member).

In 2017, SMHL produced a record production of 1,787,716 tonnes of bauxite compared to 1,368,531 tonnes in 2016. In terms of sales, in 2017, SMHL also achieved significant increase in sales which amounted to 1,687,213 tons compared with 1,465,531 tons in 2016. With increased production SMHL managed to take advantage of introducing its bauxite to the third parties in the market, the total quantity of sales to third parties being four times higher in 2017 compared to the similar period of 2016.
Moreover, the efforts made during the last years through a number of investments made to impove the efficiency of its operations as also reflected in 2017 by registering a profit of over USD 7 million, a level 46% higher than the one reported during the similar period of 2016, while EBITDA increased by 52% compared to 2016 and in 2015 SMHL registered a negative level of EBITDA.

Some of the main factors that contributed to the increase in the company's performance in 2017 are listed below:

- a better organization of the production processes through outsourcing of the excavation and transportation activities;
- increasing the operational effectiveness through implementation of a regular program of repairs and maintenance for the used equipment which directly results in reduction of production losses;
- making investments for modernisation of equipments used in exploration, mining, beneficiation and transshipping operations;
- improving the bauxite quality specifications by performing an optimal blend of mined and processed ores;
- implementing a new reorganization program of the company's activities and maintaining qualified personnel necessary to achieve quantitative and qualitative production parameters.

The positive results achieved in 2017 continued the same upward trajectory started in 2015 and the management makes effort to consolidate and maintain them in the coming years, as well. SMHL continues to implement costs reduction measures in all its operational areas – excavation and transportation; optimization of the number of active mines; activity effectiveness through a correct sizing of employees number and properly training them; improving the operational efficiency of river transportation, such as the loading rates and a more effective management of the existing fleet. Moreover, the Group's management is closely monitoring the activity in Sierra Leone, in order to take necessary measures to improve performance in real time.

Locally, SMHL is an active member within the communities in Sierra Leone, a special attention is being paid to the environmental protection, considering the footprint of mining activity, while sustaining programs for social and community development

1.2 Management and organizational culture

The management team promotes the values that define the Company's organizational culture and mainly:

- **Performance**
  In Alum continues the implementation of an efficient performance management system based on establishing department goals, derived from Company's goals, quantifiable and agreed between the managers and their subordinates
- **Competence**
  Main performance competences will be identified in close relation with Company's strategic objectives, by means of real, financial, operational and behaviour indicators. The existing strong points that facilitate the implementation of this system consist in the good experience gathered in the field and in the human, financial and technical potential of the Company.
- **Rentability**, meaning the concern, on all decisional levels, for the increase of the profitability through measures that ensure the continuous improvement on technological, commercial ad financial level
- **Ecological and social responsibility**, that presumes, among other things, the protection of the environment (compliance with the requirements from the Integrated Environmental Licence), the contribution to the local society development and for the general economic progress.

Alum's main goals regarding the environment are the following:
- Compliance with the environmental law adopted under the requierements of the European Directives and strictly respect all legal regulations applicable to the company;
- Continuous improvement of activities, processes, products and environmental performance;
- Preparation for emergencies situations and the ability to respond, organizing and conducting simulation exercices for incidents involving dangerous substances;
- Pollution prevention and combat the environmental factors through investments, organizational measures, maintenance and repairs and technological changes;
- Continuous monitoring of environmental aspects of production activity through weekly environmental programs.

Through its environmental policy, the Company creates the premises for the activity in the most demanding environmental standards set by the athorities.

In this respect, in 2017, de to improvement works on the installations for heat recovery and optimal selection of the production parameters of the plant considering the row materials quality, it was continued the reduction of the CO2 emissions per ton of alumina produced.
In 2017 was put in operation a new forced circulation cooling tower in the White Filtration section that reduced the consumption of industrial water with approx.150 cm/h.
Also, in 2018 will be finalized a project for the modernization of the steam boiler C2AP no. 1 in order to reduce the Nox emissions

1.3 Corporate social responsibility

The concept of corporate social responsibility (CSR) refers to the involvement of the companies in solving some of the problems of the communities where it operates.
The advantages of implementing the social responsibility management system are:
- Demonstrated commitment to business ethics, socially responsible;
- Protecting the brand;
- Enhanced reputation as a responsible corporate citizen;
- Consumers confidence and a positive perception of investors;
- A better employee morale;
- A properly working environment, safe and fair;
- Improved working conditions;
- Commercial risk management;
- Differentiation from global competitors.

1.3 Corporate social responsibility (continued)

In order to implement CSR in Alum were made the following steps:

- The Company developed procedures for the relations with the media and organized an audience program; in this way the Company expresses its openness to listening and solving the community problems (employees, citizens, local authorities, companies collaborating, etc) and involvement in education and other activities of social utility.
- Were developed and distributed questionnaires about how the Company is perceived in various community organizations with which it comes into contact (public administration, financial and banking institutions, cultural organizations and sports, religious, educational, environment protection, etc). In the feed-back received from collaborating organizations showed that Alum is actively involved in the local community life, with a positive and important influence.

In this respect, in 2017 Alum, as an active partner of the local community, activated on social plan on multiple directions, by:

- Ensuring, through the offered work conditions, the compliance with the human rights, the equality and the welfare of its employees. In this regard, the recruitment, the selection and the hiring of the work force are made, mainly, from Tulcea county. Also, the percentage of women employees increased from 10% in 2010 to 16.50% in the present;
- Sponsorship to support events and actions in areas such as health, socio-humanitarian, socio-cultural, education and sport; (such as "The Light Festival 2017", ”Interfun 2017”);
- Involvement in the project initiated by the Red Cross "With grandparents to the dentist" having as main objective the provision of free dental services for the elderly assisted in the "Saint Nectarie" Hospice in Tulcea;
- Collecting funds for providing food and clothes on Christmas or Easter holidays for families with low incomes and many children and for the people from the Nursing Home for Elderly in Tulcea;
- Financial support of the non-profit organization "From the heart to the smile" for the purchase of 20 pieces of glycemic sensors for children with diabetes;
- Financial support of Tulcea County Emergency Hospital for the purchase of a multidisciplinary ultrasound device;
- Promoting various actions taken by local community by displaying on visible spots, free of charge, posters which invites peoples to participate to events (such as: “Zilele Tulcei” – Tulcea’s Days; “Raliul Deltei”-Danube Delta Rally; “Sărbătoarea Borșului pescăresc” – Fish Borsh Fest etc.);
- Continuing the partnership with a local instructor to offer free swimming lessons for Alum’s employees children and supporting their participation in sports competitions (swimming, triathlon, etc).

1.4. Risk management

Taxation

Income tax expense represents the sum of current and deferred income tax.

The tax rate used is the corporate tax rate payable by each company of the Group on taxable profits under the tax law applicable in the jurisdictions where they operate (i.e., Romania: 16%, Sierra Leone: 30%)

Deferred tax from fiscal loss relates to the Parent Company and Sierra Mineral Holdings I, Ltd. and the management believes there will be sufficient taxable profits in the future against which these fiscal losses could be used. The losses can be carried forward and used against future taxable profits for a period of maximum 7 years in Romania and 10 years in Sierra Leone (losses used cannot exceed 50% of the taxable profits for the year in Sierra Leone).

At Sierra Mineral Holdings I, Ltd., the future taxable profits were based on financial forecasts estimated by the directors at 31 December 2017 and cover a five-year period. The cash flows beyond the five-year period have been extrapolated until the year 2027, when the estimated reserves (measured, indicated and inferred) will be depleted at a 2% growth rate in line with the forecast inflation, except for the terminal year when a reduced production is foreseen at the level of the remaining reserves. The main assumptions used in the forecast are the average sales growth of 3.16% per annum, average EBITDA margin of 19.86% and a profit before tax margin of 14.85% per annum.

1.4. Risk management (continued)

Taxation (continued)

As the result of the forecast, the management expects to use an amount of RON 156,886 thousand from total RON 253,901 of prior years' accumulated tax losses to offset its future taxable profits by the end of the respective carry forward period. The forecasts are most sensitive to the average growth rate and EBITDA margin. A decrease in the forecasted average growth rate by 1.0% would reduce the deferred tax assets by RON 4,600 thousand and a decrease in the forecasted EBITDA margin by 1.0% would reduce the deferred tax assets by RON 3,100 thousand.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use derivatives to cover the above mentioned risks.

Risk management is carried out by the treasury function under policies approved by the Board of Directors. Treasury function identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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,

The capital structure of the Group consists of debt, which includes the borrowings, cash and cash equivalents and equity attributable to the owners of the Entity, comprising issued capital, reserves and accumulated deficit. The Group's management reviews the capital structure on a regular basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratio at December 31, 2017 and December 31, 2016 was as follows:

	Year ended December 31, 2017	**Year ended December 31, 2016**
Total borrowings	12,412	34,707
Less: cash and cash equivalents	(10,447)	(1,475)
Net debt	**1,965**	**33,232**
Total equity	233,398	155,246
Total capital	**235,363**	**188,478**
Gearing ratio	**0.83%**	**17.63%**

1.4. Risk management (continued)

Foreign currency risk management

The Group is exposed to foreign exchange risk because the predominant part of its sales of calcined alumina and bauxite are denominated in or linked to the USD while the vast majority of its operating costs (such as power costs, wages, etc,) are denominated in or linked to the RON. The Group is therefore exposed to the risk that movements in the RON/USD exchange rates will affect both its net income and financial position, as expressed in RON.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	December 31, 2017		December 31, 2016	
	Euro denominated	US Dollars denominated	Euro denominated	US Dollars denominated
	' 000 RON	'000 RON	' 000 RON	'000 RON
Total current assets	15,411	9,039	1,083	9,045
Total non-current assets	-	53,344	-	52,036
Total assets	**15,411**	**63,383**	**1,083**	**61,081**
Total short-term liabilities	10,101	39,717	3,161	41,824
Total long-term liabilities	10,704	-	10,035	-
Total liabilities	**20,805**	**39,717**	**13,196**	**41,824**

Foreign currency sensitivity

The Group is mainly exposed to the European Currency and the US Dollars. The following table details the Group's sensitivity to a 10% increase or decrease in the Romanian Lei against the relevant foreign currencies. Ten per cent is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible yearly change in foreign exchange rates.

	December 31, 2017		December 31, 2016	
	Euro	US Dollars	Euro	US Dollars
	'000 RON	'000 RON	'000 RON	'000 RON
Profit or loss	539	(2,367)	1,211	(1,926)
Equity	453	(1,968)	1,017	(1,618)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their conversion at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency. A positive number indicates a positive gain in profit or loss and other equity where the functional currency strengthens against the relevant foreign currency.

Interest rate risk management

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The interest rate on its existing credit facilities are based on the London Interbank Offered Rate (LIBOR) for US Dollars borrowings, on EURIBOR for borrowings in Euro and on ROBOR for the loans denominated in RON.

1.4. Risk management (continued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates on EUR and US Dollars denominated borrowings at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the next reporting period in the case of borrowings linked to floating rates.

If interest rates would be higher/lower by 1 % and all other variables would be constant, the Entity's profit would increase/decrease by RON 104 thousand (2016: RON 305 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable interest rate USD, RON and EUR denominated borrowings.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group carries out a very prudential policy for the commercial credit risk and covers credit risk by selling against letters of credit, bank guarantees or by non-recourse factoring.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, Group's treasury function maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors rolling forecasts of the Group's liquidity reserve on the regular basis.

In the following tables are presented the financial liabilities of the company based on contractual maturities. The amounts represent undiscounted cash flows based on the earliest period required for the company to make the payments.

Year ended 31 December 2017

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	1,488	10,924	-	-	12,412
Accounts payable and accrued liabilities	34,237	49,523	-	-	-	83,760
Total	**34,237**	**51,011**	**10,924**	**-**	**-**	**96,172**

Year ended 31 December 2016

	On demand	< 1 year	1-2 years	2-5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	23,774	10,933	-	-	34,707
Accounts payable and accrued liabilities	39,626	44,319	-	-	-	83,945
Total	**39,626**	**68,093**	**10,933**	**-**	**-**	**118,652**

1.4. Risk management (continued)

Fair value of financial assets and liabilities

The fair values of financial assets and financial liabilities are determined as follows:

• The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
• The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
• The fair value of derivative instruments is calculated using quoted prices.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
• Level 2 fair value measurements are those derived from valuation techniques containing inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Management consider that the fair values of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their carrying amounts largely due to the short term maturities, low transaction costs of these instruments as of financial position date, and for the long-term borrowings due to the fact that thery were recently contracted.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade and other receivables;
- Other current financial assets;
- Cash and cash equivalents;
- Trade and other payables;
- Borrowings.

Financial assets and liabilities

	December 31, 2017	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	14,130	-	-	14,130
Other current assets	6,657	-	-	6,657
Cash and cash equivalents	10,447	10,447	-	-
TOTAL FINANCIAL ASSETS	**31,234**	**10,447**	**-**	**20,787**
Financial liabilities				
Borrowings, long term	10,924	-	-	10,924
Trade and other payables	83,760	-	-	83,760
Borrowings, short term	1,488	-	-	1,488
TOTAL FINANCIAL LIABILITIES	**96,172**	**-**	**-**	**96,172**

1.4. Risk management (continued)

Financial assets and liabilities (continued)

	December 31, 2016	Level 1	Level 2	Level 3
Financial assets				
Trade receivables	11,369	-	-	11,369
Other current assets	5,200	-	-	5,200
Cash and cash equivalents	1,475	1,475	-	-
TOTAL FINANCIAL ASSETS	**18,044**	**1,475**	**-**	**16,569**
Financial liabilities				
Borrowings, long term	10,933	-	-	10,933
Trade and other payables	83,945	-	-	83,945
Borrowings, short term	23,774	-	-	23,774
TOTAL FINANCIAL LIABILITIES	**118,652**	**-**	**-**	**118,652**

Internal control system

The Group's internal control system aims to ensure conformity with the laws in force, a good operation of the Group's internal activity in accordance with the decisions made by the management and also contributes to the effectiveness of the Group's operations, the efficient use of the resources, prevention and control of the risk of failing to reach the objectives set.

Internal control is applicable throughout the operations conducted by the Group prior to and during the performance of the operations and after their completion.

Internal control is performed by accounting and financial internal control, according to the accounting policies manual, the procedures regarding the application of the manual, monitoring through the periodical control program the compliance with these accounting procedures and policies, the conformity with the accounting rules, the knowing and observance of the financial-accounting laws, ensuring the fairness and completeness of the accounting records, monitoring the obtaining and presenting in the annual financial statements of quality information to the satisfaction of the users' needs.

1.5. Market

In 2017 Alum and subsidiaries recorded in the Financial Statements a turnover in amount of RON 709,851 th, structured as follows:

✓ Sales of alumina	578,185	th RON
✓ Sales of hydrate	56,504	th RON
✓ Revenues from sales of scrap iron and wastes	410	th RON
✓ Revenues from sales of bauxite	53,508	th RON
✓ Other revenues	21,244	th RON

The following table shows the distribution of the Group's consolidated sales of alumina, hydrate and bauxite by geographical market, regardless of where the goods were produced:

	Year ended December 31, 2017	Year ended December 31, 2016
Romania	532,504	491,646
European Union	31,921	30,455
Non-European Countries	66,431	22,402
Other	78,995	43,161
Total	**709,851**	**587,664**

1.6. Competition

The competition on the alumina market is given by the sale price and quality of products. In order to get an as big as possible market share, each producer supports the marketing strategy with investments in technology and continuous modernization of the production process.

Under the circumstances of a more and more competitive global market, ALUM must continue the strategy for reducing the production cost by means of reducing consumptions (development of new ecological technologies), investing in human capital and development of new, competitive and high added value products.

In this respect, under the financing contract signed on 8 September 2016, Alum SA launched a project (SMIS 2014+) co-financed under the European Regional Development through Operational Program of Competitiveness 2014-2020 " Investing in Sustainable Development ".

The project is to be developed in 24 month (August 2016-August 2018) for a total value of RON 20.1 million, out of which RON 12.6 million eligible subsidies (RON 6.3 million are non-reimbursable) and main object is the acquisition of various research and development equipment (hydrate drying equipment, grinding and ranking wet hydrate, etc.).

In 2017 there were signed the contracts for all three equipments, for a total value of EUR 3,638 thousand, were paid the advances for all contracts in amount of EUR 844 thousand and were opened letters of credit in amount of 1.391 th. EUR. In 2017 the Company received as non-refundable funds the amount of RON 1,598 thousand.

The Group will continue to give a special attention to monitoring the activity and evolution of bauxite, alumina and aluminum prices on the international markets, so that the management could receive timely and relevant information in order to make the most beneficial decisions.

1.7. The shareholding structure and the Registered share capital

At December 31, 2017 the shareholding structure of ALUM is as follows:

	Statutory figures					
	December 31, 2017			December 31, 2016		
	Number of shares	Nominal Value RON (thousand)	%	Number of shares	Nominal Value RON (thousand)	%
ALRO SA	81,595,860	485,495	99.4026	81,595,860	485,495	99.40
Individuals	488,354	2,906	0.5949	481,756	2,867	0.59
Companies	1,989	12	0.0024	8,587	51	0.01
Total	**82,086,203**	**488,413**	**100%**	**82,086,203**	**488,413**	**100%**

On May 1, 2011 Alum acquired from Vimetco N.V, 100% of an investment company Global Aluminum Ltd. Global Aluminum Ltd, assets included 100% shareholding in a bauxite mine in Sierra Leone, Sierra Mineral Holdings 1, Ltd., and 100% shareholding in Bauxite Marketing Ltd.

The main companies in Alum Group at December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017		December 31, 2016	
Subsidiary	**Shareholding**	**Votes**	**Shareholding**	**Votes**
Global Aluminum Ltd.	100.00%	100.00%	100.00%	100.00%
Bauxite Marketing Ltd.	100.00%	100.00%	100.00%	100.00%
Sierra Mineral Holdings 1, Ltd.	100.00%	100.00%	100.00%	100.00%

1.8. Contingencies and Commitments

Contingencies

Legal cases

As at December 31, 2017 and December 31, 2016, the Group was subject to a number of lawsuits resulted from the normal course of business. Management believes that these actions, except for those already provided as of those dates, will not have a negative impact on the consolidated financial performance and consolidated financial position of the Group.

Taxation

The taxation system in Romania is undergoing a continuous development phase and is subject to various interpretations and constant changes which may sometimes be retroactive. Although the actual tax due for a certain transaction can be minimal, penalties can be significant, as they can be calculated at the value of the transaction. In certain cases, tax authorities can treat differently certain aspects, calculating supplementary tax and interests of 0.02 % per day plus penalties of 0.01% per day. Under this conditions, the annual interest level could reach 7.32% compared to the previous value of 10.95%.
Starting with January 1, 2016 the fiscal procedure Code has been modified by the MFO 3834/29.12.2015 and has been introduced a new penalty for not declaring. Thus, for the main tax obligations undeclared or incorrectly declared by the tax payers and determined by the fiscal inspectors through tax notices, the tax payers owe a penalty of 0.08% per day, from the day immediately following the due date until the settlement date for the due amount.
The Romanian fiscal year remains open for tax audit for a period of 5 years. The management considers that the tax liabilities included in the consolidated financial statements are adequate.

In accordance with the requirements issued by the Ministry of Public Finance, which relates to the fiscal treatment of the elements of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts, due to their nature, should the entities members of the Group change in the future the destination of the statutory revaluation reserves (to cover losses or to distribute to the shareholders), this will lead to additional income tax liabilities.

Commitments

As of December 31, 2017 the Group has investment commitments for the year 2018 in amount of USD 3,511 thousand (December 31, 2016: USD 1,456 thousand).

The Group has various contracts concluded as of December 31, 2017 for the acquisition in 2018 of raw materials, electricity and other materials and consumables in the amount of EUR 11,903 thousand, USD 148,497 thousand and RON 14,544 thousand, respectively (December 31, 2016: EUR 17,797 thousand, USD 105,043 thousand and RON 13,975 thousand, respectively).

In 2017 the Group has ongoing operating lease contract for vehicles, with lease terms of up to 5 years. The operating lease expense amounted in 2017 to RON 10,970 thousand (in 2016: RON 5,825 thousand).

2.1. Consolidated Balance Sheet for year ending 2017

	December 31, 2017	December 31, 2016	Variance 2017/2016
ASSETS			
Non-current assets			
Property, plant and equipment	208,548	192,503	16,045
Intangible assets	691	378	313
Goodwill	71,650	79,232	(7,582)
Loans receivable, long term	54,345	52,035	2,310
Deferred tax	54,671	10,417	44,254
Total non-current assets	**389,905**	**334,565**	**55,340**
Current assets			
Inventories	135,208	120,987	14,222
Trade receivables	14,130	11,369	2,761
Other current assets	6,657	5,200	1,457
Income tax receivable	-	1,595	(1,595)
Cash and cash equivalents	10,447	1,475	8,972
Total current assets	**166,442**	**140,626**	**25,817**
Total assets	**556,348**	**475,191**	**81,157**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	488,413	488,413	-
Reserves	47,782	51,897	(4,115)
Accumulated deficit	(302,797)	(385,064)	82,267
Equity attributable to owners of the Entity	**233,398**	**155,246**	**78,152**
Total equity	**233,398**	**155,246**	**78,152**
Non-current liabilities			
Borrowings	10,632	10,608	24
Finance lease liabilities, non-current	292	325	(33)
Retirement benefit obligation	5,496	4,618	878
Deferred tax liabilities	-	-	-
Provisions, long term	29,530	32,329	(2,798)
Government grants, non-current portion	1,769	-	1,769
Other non-current liabilities	449	250	199
Total non-current liabilities	**48,168**	**48,131**	**38**
Current liabilities			
Trade and other payables	83,760	83,945	(185)
Borrowings	1,018	23,485	(22,467)
Finance lease liabilities, current	470	289	181
Current income tax	5,636	-	5,636
Government grants, current portion	-	-	-
Other current liabilities	183,897	164,095	19,802
Total current liabilities	**274,782**	**271,814**	**2,968**
Total liabilities	**322,950**	**319,945**	**3,005**
Total equity and liabilities	**556,348**	**475,191**	**81,157**

2.2. Consolidated Statement of Comprehensive Income for year ending 2017

At the end of 2017, Alum Group recorded a profit in amount of 87,203 KRON.

	2017	2016	Variance 2017/2016
Revenues	709,851	587,664	122,187
Cost of sales	(588,028)	(548,182)	(39,846)
Gross profit	121,823	39,482	82,341
Other operating income	4,926	3,965	961
Impairment of property plant and equipment	3	(111)	114
Administrative expenses	(65,263)	(55,312)	(9,951)
Other operating expenses	(1,561)	(2,717)	1,156
Other gains/(losses)	(8,768)	8,496	(17,264)
Finance revenue	4,157	3,052	1,105
Finance cost	(5,376)	(7,753)	2,377
Finance result, net	(1,219)	(4,701)	3,482
Profit before income taxes	49,941	(10,898)	60,839
Income tax expense	37,262	5,387	31,875
(Loss)/profit for the period	**87,203**	**(5,511)**	**92,714**
(Loss)/profit per share	**1.06**	**(0.77)**	

President of the Board of Directors
D. Sc eng. Dobra Gheorghe

General Director
D. Sc eng. Dobra Gheorghe

Finance Director
Ec. Duralia Mihaela