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)

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9 - 10
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	11
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12
CONSOLIDATED STATEMENT OF CASH FLOWS	13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	14 - 70

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RAPORTUL AUDITORULUI INDEPENDENT

Catre actionarii ALUM SA

Raport asupra auditului situatiilor financiare consolidate

Opinia

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").

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.

Bazele opiniei

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.

Aspecte cheie de audit

Aspectele cheie de audit sunt acele aspecte care, în 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.

Pentru fiecare aspect de mai jos, am prezentat in acel context o descriere a modului in care auditul nostru a abordat respectivul aspect.

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.

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Testarea deprecierii fondului commercial

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).

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.

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.

Recunoasterea impozitului amanat

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.

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.

Alte informatii

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.

Opinia noastra de audit asupra situatiilor financiare nu acopera alte informatii si nu exprimam nicio forma de concluzie de asigurare asupra acestora.

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.

Responsabilitatea conducerii si a persoanelor responsabile cu guvernanta pentru situatiile financiare

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.

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.

Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiara a Societatii.

Responsabilitatile auditorului pentru auditul situatiilor financiare consolidate

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.

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:

- 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.

- 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.

- Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.

- 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.

- 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.

- 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.

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.

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.

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.

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Alte cerinte privind cuprinsul raportului de audit conform Regulamentului (UE) nr. 537/2014 al Parlamentului European si al Consiliului

Numirea si aprobarea auditorului

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.

Servicii non-audit

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.

In numele,

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

Alexandru Lupea

Bucuresti, Romania
22 Martie 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**

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

	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

ROMANIA ALUM S.A. TULCEA 2 ALUM S.A.

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

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ROMANIA ALUM S.A. TULCEA 2 ALUM S.A.

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 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

ALUM S.A. ROMANIA ALUM S.A. TULCEA 2

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**

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Gheorghe Dobra
General Director

ROMANIA ALUM S.A. TULCEA 2 ALUM S.A.

Mihaela Duralia
Chief Financial Officer

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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.