Grant Thornton

Financial statements and Independent Auditors' Report

Mermeren Kombinat AD, Prilep

31 December 2012

Contents

Independent Auditors' Report

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To the Management and Shareholders of

Mermeren Kombinat AD, Prilep

We have audited the accompanying financial statements of Mermeren Kombinat AD, Prilep ("the Company") which comprise the Statement of financial position as at 31 December 2012, and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 3 to 41.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Skopje,

26 March 2013

Grant Thornton DOO

Director	Certified Auditor
Ruza Filipceva	Biljana Popovska

Statement of financial position

	Note	2012	2011
			(Amounts in Euro)
			At 31 December
Assets			
Non-current assets			
Property, plant and equipment	5	13,077,082	13,204,427
Intangible assets	6	2,245,548	348,713
		15,322,630	**13,553,140**
Current assets			
Inventories	8	6,327,667	6,039,688
Trade and other receivables	9	5,003,181	5,749,035
Other short term financial assets	10	85	94
Cash and cash equivalents	11	1,252,221	717,267
		12,583,154	**12,506,084**
Total assets		**27,905,784**	**26,059,224**
Shareholders' equity			
Share capital	12	8,845,171	8,845,171
Other components of equity		5,310,118	9,101,005
Retained earnings		1,921,118	191,389
Total shareholders' equity		**16,076,407**	**18,137,565**
Liabilities			
Non – current liabilities			
Borrowings	13	5,255,562	1,750,027
		5,255,562	**1,750,027**
Current liabilities			
Borrowings	13	2,960,780	1,869,347
Trade and other payables	14	3,444,308	3,446,513
Tax payables	15	168,727	855,772
		6,573,815	**6,171,632**
Total liabilities		**11,829,377**	**7,921,659**
Total liabilities and shareholders' equity		**27,905,784**	**26,059,224**

These financial statements have been approved by the Board of Directors on 28 February 2013 and signed on its behalf by,

Mr. Theodoros Malfas
Chairman

Mr. Ilias Rigopoulos
Chief Executive Officer

Statement of comprehensive income

	Note	2012	2011
		(Amounts in Euro)	
		Year ended 31 December	
Sales	*16*	*13,269,558*	*13,550,434*
Cost of sales	*17*	*(7,156,540)*	*(4,941,299)*
Gross profit		**6,113,018**	**8,609,135**
Administrative and selling expenses	*18*	*(4,342,393)*	*(13,156,723)*
Other operating income	*20*	*687,489*	*225,447*
Operating profit / (loss)		**2,458,114**	**(4,322,141)**
Finance income	*21*	*132,611*	*300,189*
Finance (costs)	*21*	*(669,607)*	*(447,668)*
Finance (costs), net		*(536,996)*	*(147,479)*
Profit / (Loss) before income tax		**1,921,118**	**(4,469,620)**
Income tax expense	*22*	*-*	*(1,045,955)*
Profit / (Loss) for the year		**1,921,118**	**(5,515,575)**
Other comprehensive income for the year			
Translation differences		*1,553*	*(10,042)*
Other comprehensive income for the year		**1,553**	**(10,042)**
Total comprehensive income for the year		**1,922,671**	**(5,525,617)**
Profit / (Loss) attributable to the holders of ordinary shares		**1,921,118**	**(5,515,575)**
Total comprehensive income attributable to the holders of ordinary shares		**1 ,922,671**	**(5,525,617)**
Earnings per share (expressed in Euros per share)	*25*		
Basic earnings per share			
- Earnings from continuing operations		*0,41*	*(1,18)*
- Earnings from discontinuing operations		*-*	*-*
Total		*0,41*	*(1,18)*
Diluted earnings per share			
- Earnings from continuing operations		*0,41*	*(1,18)*
- Earnings from discontinuing operations		*-*	*-*
Total		*0,41*	*(1,18)*

Statement of changes in equity

(Amounts in Euro)

	Share capital	*Other components of equity*	*Retained earnings*	*Total*
At 01 January 2012	**8,845,171**	**9,101,005**	**191,389**	**18,137,565**
Dividends declared	-	*(1,398,785)*	*(2,585,044)*	*(3,983,829)*
Total transactions with owners	**-**	***(1,398,785)***	***(2,585,044)***	***(3,983,829)***
Profit for the year	-	-	*1,921,118*	*1,921,118*
Other comprehensive income:				
Recovery of accumulated losses	-	*(2,316,618)*	*2,316,618*	**-**
Reallocation of translation differences	-	*(77,037)*	*77,037*	**-**
Translation differences	-	*1,553*	**-**	*1,553*
Total other comprehensive income	-	**(2,392,102)**	**2,393,655**	**1,553**
Total comprehensive income	**-**	**(2,392,102)**	**4,314,773**	**1,922,671**
At 31 December 2012	**8,845,171**	**5,310,118**	**1,921,118**	**16,076,407**
At 01 January 2011	**8,845,171**	**9,147,266**	**12,180,238**	**30,172,675**
Dividends declared	-	-	*(6,509,493)*	*(6,509,493)*
Transactions with owners	-	-	***(6,509,493)***	***(6,509,493)***
(Loss) for the year	-	-	*(5,515,575)*	*(5,515,575)*
Other comprehensive income:				
Release of revaluation surplus on property, plant and equipment sold	-	*(36,219)*	*36,219*	-
Translation differences	-	*(10,042)*	-	*(10,042)*
Total other comprehensive income	**-**	**(46,261)**	**36,219**	**(10,042)**
Total comprehensive income	**-**	**(46,261)**	**(5,479,356)**	**(5,525,617)**
At 31 December 2011	**8,845,171**	**9,101,005**	**191,389**	**18,137,565**

Statement of cash flows

	Note	At 31 December 2012	(Amounts in Euro) At 31 December 2011
Operating			
Profit / (Loss) before income tax		*1,921,118*	*(4,469,620)*
Adjusted for:			
Depreciation and amortization	*5,6*	*1,035,975*	*931,383*
Write offs and allowances on trade and other receivables	*18*	*181,375*	*10,134,098*
Write offs of other receivables		*-*	*644*
Shortages	*18*	*2,932*	*1,064*
Wastage, failure and fracture	*18*	*136,614*	*-*
Write off of obsolete inventories	*18*	*118,413*	*15,667*
Value adjustment of inventories	*20*	*(552,620)*	*-*
Loss from sold property, plant and equipment	*5*	*-*	*36,899*
Net carrying amount of equipment written off	*18*	*510*	*22,280*
Loss from sale of government bonds	*18*	*-*	*1,439*
Payables written off	*20*	*(852)*	*(9,764)*
Stock count surplus	*20*	*(727)*	*-*
Finance result, net	*21*	*418,939*	*93,790*
Operating profit before working capital changes		*3,261,677*	*6,757,880*
Changes in working capital:			
Inventories		*7,602*	*(2,079,582)*
Trade and other receivables		*564,478*	*4,399,334*
Trade and other payables		*301,689*	*501,573*
Cash from operations		*4,135,446*	*9,579,205*
Interest paid		*(450,005)*	*(305,608)*
Income tax paid		*(1,011,440)*	*(109,814)*
Cash flows from operating activities, net		**2,674,001**	**9,163,783**
Investing			
Purchase of tangible assets, net of proceeds from sales		*(823,016)*	*(1,327,853)*
Purchase of intangible assets , net of proceeds from sales		*(1,981,274)*	*(212,274)*
Investments in government bonds, net		*9*	*(1,212)*
Interest received		*49,847*	*4,798*
Cash flows from investing activities, net		**(2,754,434)**	**(1,536,541)**
Financing			
(Repayment of borrowings) / New Borrowings, net		*4,596,968*	*(2,701,785)*
Dividends paid		*(3,983,134)*	*(6,508,470)*
Cash flows from financing activities, net		**613,834**	**(9,210,255)**
Translation differences		*1,553*	*(10,054)*
Net change in cash and cash equivalents		**534,954**	**(1,593,067)**
Cash and cash equivalents at beginning	*11*	*717,267*	*2,310,334*
Cash and cash equivalents at end	**11**	**1,252,221**	**717,267**

Notes to the financial statements

1 General

Mermeren Kombinat AD, Prilep (the "Company") is a Shareholders' Company incorporated and domiciled in the Republic of Macedonia. The address of its registered head office is str. Krushevski Pat b.b., Prilep, Republic of Macedonia.

On 10 April 2009 Stone Works Holdings Cooperatief U.A.., a corporation incorporated in the Netherlands, acquired 88.4% of the Company's shares. As of 31 December 2012 the Company is listed on Athens Stock Exchange.

The Company's main business activities include mining, processing and distribution of marble and decorative stones. The Company operates in local and foreign markets and at 31 December 2012 employed 383 persons (2011: 402 persons).

2 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) if any, at fair value through profit or loss. The measurement bases are more fully described in the accounting policies below.

The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4: Critical accounting estimates and judgements.

The financial statements have been prepared as of and for the years ended 31 December 2012 and 2011. Current and comparative data stated in these financial statements are expressed in Euros, unless otherwise stated.

2.2 Changes in accounting policies and disclosures

a) Adoption of 'Presentation of Items of Other Comprehensive Income' (Amendments to IAS 1)

The Company has adopted 'Presentation of Items of Other Comprehensive Income' (Amendments to IAS 1). The Amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012 and require entities to group items presented in other comprehensive income (OCI) into those that, in accordance with other IFRSs, will not be reclassified subsequently to profit or loss and those that will be reclassified subsequently to profit or loss when specific conditions are met. The existing option to present items of OCI either before tax or net of tax remains unchanged; however, if the items are presented before tax, then the Amendments to IAS 1 require the tax related to each of the two groups of OCI to be shown separately.

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Company (except for the Amendments to IAS 1 noted above in 3.1).

Management anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial Statements.

IFRS 9 Financial Instruments (IFRS 9)

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. The Company's management has yet to assess the impact of this new standard on the Company's financial statements. However, Management does not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

Consolidation Standards

A package of new consolidation standards is effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. Management has not yet completed its assessment of the impact of these new and revised standards on the Company's consolidated financial statements.

<u>IFRS 10 Consolidated Financial Statements (IFRS 10)</u>

IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation – Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Company's investees are considered to be subsidiaries and therefore change the scope of consolidation. However, the requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary remain the same. Management's provisional analysis is that IFRS 10 will not change the classification (as subsidiaries or otherwise) of any of the Company's existing investees at 31 December 2012.

Changes in accounting policies (continued)

IFRS 11 Joint Arrangements (IFRS 11)

IFRS 11 supersedes IAS 31 'Interests in Joint Ventures' (IAS 31). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, IAS 31's option of using proportionate consolidation for joint ventures has been eliminated. IFRS 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

IFRS 12 Disclosure of Interests in Other Entities (IFRS 12)

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Transition guidance for IFRS 10, 11, 12

Subsequent to issuing the new standards the IASB made some changes to the transitional provisions in IFRS 10, IFRS 11 and IFRS 12. The guidance confirms that the entity is not required to apply IFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also makes changes to IFRS 11 and IFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides additional relief by removing the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied. The new guidance is also effective for annual periods on or after 1 January 2013.

Consequential amendments to IAS 27 and IAS 28 Investments in Associates and Joint Ventures (IAS 28)

Consequential amendments to IAS 27 'Separate Financial Statements' (IAS 27) and IAS 28 'Investments in Associates and Joint Ventures' (IAS 28) IAS 27 now only addresses separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

IFRS 13 Fair Value Measurement (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013.
Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to complete its assessment of their impact on the Company's financial statements.

Amendments to IAS 19 Employee Benefits (IAS 19 Amendments)

The IAS 19 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognize all gains and losses arising in the reporting period
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The IAS 19 Amendments are effective for annual periods beginning on or after 1 January 2013 and will apply retrospectively.

Changes in accounting policies (continued)

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The Amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities in the following two areas:

- the meaning of 'currently has a legally enforceable right of set-off'
- that some gross settlement systems may be considered equivalent to net settlement.

The Amendments are effective for annual periods beginning on or after 1 January 2014 and are required to be applied retrospectively. Management does not anticipate a material impact on the Company's financial statements from these Amendments

Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)

Qualitative and quantitative disclosures have been added to IFRS 7 'Financial Instruments: Disclosures' (IFRS 7) relating to gross and net amounts of recognized financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The Amendments are effective for annual reporting periods beginning on or after 1 January 2013 and interim periods within those annual periods. The required disclosures should be provided retrospectively. Management does not anticipate a material impact on the Company's financial statements from these Amendments.

Annual Improvements 2009-2011 (the Annual Improvements)

The Annual Improvements 2009-2011 (the Annual Improvements) made several minor amendments to a number of IFRSs. The amendments relevant to the Company are summarized below:

Clarification of the requirements for opening statement of financial position:

- clarifies that the appropriate date for the opening statement of financial position is the beginning of the preceding period (related notes are no longer required to be presented)
- addresses comparative requirements for the opening statement of financial position when an entity changes accounting policies or makes retrospective restatements or reclassifications, in accordance with IAS 8.

Clarification of the requirements for comparative information provided beyond minimum requirements:

- clarifies that additional financial statement information need not be presented in the form of a complete set of financial statements for periods beyond the minimum requirements
- requires that any additional information presented should be presented in accordance with IFRS and the entity should present comparative information in the related notes for that additional information.

Tax effect of distribution to holders of equity instruments:

- addresses a perceived inconsistency between IAS 12 'Income Taxes' (IAS 12) and IAS 32 'Financial Instruments: Presentation' (IAS 32) with regards to recognizing the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction
- clarifies that the intention of IAS 32 is to follow the requirements in IAS 12 for accounting for income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

Changes in accounting policies (continued)

Segment information for total assets and liabilities:

- clarifies that the total assets and liabilities for a particular reportable segment are required to be disclosed if, and only if: (i) a measure of total assets or of total liabilities (or both) is regularly provided to the chief operating decision maker; (ii) there has been a material change from those measures disclosed in the last annual financial statements for that reportable segment.

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. Management does not anticipate a material impact on the Company's financial statements from these Amendments.

2.3 Foreign currency translation

Functional and presentation currency

The Company maintains its accounting records and prepares its statutory accounts in local currency, i.e. in Macedonian Denars (MKD), which is the Company's "functional currency". These financial statements are presented in Euros, which is "presentation currency" of the Company's ultimate Parent.

The results and financial position of the Company are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- Resulting exchange differences are recognised as financial income or expense, respectively, in each statement of comprehensive income for the period they relate to.

Transactions and balances

Transactions denominated in foreign currencies have been translated into Macedonian Denars at the middle exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Macedonian Denars ("Denars") at the National Bank of the Republic of Macedonia middle exchange rate on the last day of the reporting period. All gains and losses resulting from foreign currency translation or exchange are included in the statement of comprehensive income as financial income or expense in the period in which they arose. The middle exchange rates used for conversion of the statement of financial position items denominated in foreign currencies are as follows:

	31 December 2012	31 December 2011
1 USD	*46.6510 Denars*	*47.5346 Denars*
1 EUR	*61.5000 Denars*	*61.5050 Denars*
Average EUR	*61.5025 Denars*	*61.5050 Denars*

2.4 Property, plant and equipment

Items of property, plant and equipment are carried at their revaluated cost, based on the valuation performed by independent authorized appraisers, less subsequent accumulated depreciation and impairment losses, if any. The increase in the carrying amount of property, plant and equipment due to their revaluation is recognized within asset revaluation surplus, which forms part of the total reserves included within the Company's equity. When revaluated assets are disposed of or sold, the amounts included in the revaluation surplus are transferred to the retained earnings for the period.

Property, plant and equipment (continued)

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Constructed assets are depreciated from the time they are put into use. Land and construction in progress are not depreciated.

The estimated useful lives are as follows:

Buildings	*40 years*
Machinery	*10-20 years*
Equipment and motor vehicles	*4-8 years*

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.6).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other expenses or other income in the statement of comprehensive income.

Interest costs on borrowings used to finance the construction of property, plant and equipment are capitalized, during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

The costs of regular maintenance and repairs are charged to operating expenses as incurred. Improvements to the existing assets are capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment.

2.5 Intangible assets

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the statement of comprehensive income as an expense as incurred. Expenditure on development activities, where by research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically or commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognized in the statement of comprehensive income as an expense as incurred. Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses. Amortization is charged to the statement of comprehensive income on a straight-line basis over the period of its expected benefit, which is estimated at five years.

Stripping costs

The Company recognises a stripping activity asset if, and only if, all of the following are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Company;
- The Company can identify the component of the ore body for which access has been improved, and
- The cost relating to the stripping activity associated with the component can be measured reliably.

Intangible assets (continued)

The stripping activity asset is accounted for as an addition to the intangibles. They are initially measured at cost, this being the accumulation of costs directly incurred to perform the stripping activity that improves the access to the identified component or ore, plus an allocation of directly attributable overhead costs. The costs associated with the incidental operations are not included in the cost of stripping activity asset. After initial recognition, the stripping activity asset is carried at cost less accumulated amortization and less impairment losses, if any. The stripping activity asset shall be depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

Other intangible assets

Expenditure to acquire rights and licenses is capitalized and amortized using the straight-line method over a period of five years.

2.6 Impairment of non – financial assets

Property, plant and equipment, as well as intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in statement of comprehensive income. The recoverable amount is the higher of an asset’s net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

2.7 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, financial assets held to maturity, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss.

This category of financial assets consists of government bonds presented as “other short – term financial assets”.

Financial assets held to maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company’s Management has the positive intention and ability to hold to maturity. The Company has no assets classified under this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current assets.

Financial assets (continued)

The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents as of the statement of financial position date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date.

Recognition and measurement of financial assets

Purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase or sell the asset.

All financial assets that are not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

All financial assets that are not carried at fair value through profit or loss are initially recognized at fair value plus transaction costs. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains – net' in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss as part of other income when the Company's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income as part of finance income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques.

Financial assets (continued)

The Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Impairment testing of trade receivables is described further within Note 2.10.

Impairment of financial assets

a. Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

b. Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired.

Financial assets (continued)

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

2.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

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

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Individually significant debtors are tested for impairment on an individual basis. The remaining debtors are assessed collectively in groups that share similar credit risk characteristic.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Assets with a short maturity are not discounted. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the statement of comprehensive income within 'selling and marketing costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the statement of comprehensive income.

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.12 Share capital, reserves, retained earnings and dividends

(a) Share capital
Share capital consists of the fair value of monetary considerations contributed by the shareholders.

(b) Reserves
Legal reserves are created during the periods by distribution of retained earnings based on the legislation and decisions of the Management of the Company.

(c) Retained earnings
Retained earnings comprise of non-distributed earnings from the current and past periods.

Share capital, reserves, retained earnings and dividends (continued)

(d) Dividends

Dividends are recognized in the equity in the period when approved by the Company's owners. Dividends for the year that are published after the Statement of financial position date are disclosed in the Note for subsequent events.

2.13 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at their fair value and subsequently measured at their amortized cost by applying the effective interest rate method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of financial position date.

2.15 Borrowing costs

General and specific 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.

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

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

2.16 Current and deferred tax expense

Current tax expense at 10% rate is paid to non – recognized expenses for tax purposes adjusted for tax credit and the less declared revenue, as well as profit allocated for dividends to legal entities – non-residents and to individuals. Undistributed profit (retained earnings) is free of taxation.

Current and deferred tax expenses (continued)

Deferred tax expense is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in determination of deferred tax expense. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

The Company has not recognized any deferred tax assets or liability or asset at 31 December 2012 and 2011, as there are no temporary differences existing at that date.

2.17 Employee benefits

Pension obligations

The Company has pension scheme as prescribed by the local social security legislation under which it contributes to its employees' post retirement plans. Contributions, based on salaries, are made to the first and second pension pillar responsible for the payment of pensions. There is no additional liability regarding these plans.

Short – term benefits

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

Post – retirement obligations

The Company provides its retirees an amount equal to two months average salary according to the related local provisions. No provision has been made at the statement of financial position date in respect of this post – retirement obligations, since that amount would not have a material effect on the financial statements.

2.18 Value-added tax

Revenues, expenses and assets are recognized net of the amount of value added tax, except:

- When the value added tax from the purchase of assets or services is not reimbursable by the tax authority, in which case the value added tax is recognized as part of the expenses for the acquisition or as part of the cost where appropriate; and

- Receivables and liabilities which are presented with value added tax included.

The net amount of value added tax which is recoverable from, or payable to the tax authorities is included as part of the receivables or liabilities in the Statement of financial position.

2.19 Provisions

A provision is recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation. Provisions are not recognised for future operating losses.

2.20 Revenue recognition

Revenue comprises revenue from sale of goods and the rendering of services. Revenue from major products and services is shown in note 16.

Revenue is measured by reference to the fair value of consideration received or receivable by the Company for goods supplied and services provided, excluding sales taxes, rebates, and trade discounts.

The Company applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction in order to reflect the substance of the transaction. The consideration received from these transactions is allocated to the separately identifiable component by taking into account the relative fair value of each component.

Revenue is recognized when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Company's different activities have been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are described below:

Sales of goods – wholesale

Sales of goods are recognised when the products are delivered to the customer, when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Sales of services

Sales of services are recognised in the period in which services are rendered, by reference to the stage of completion when can be measured reliably. The stage of completion is determined based on surveys of work performed.

Interest income

Interest income is recognized on a time proportion basis that reflects the effective yield on the assets.

2.21 Commitments and contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Commitments and contingencies (continued)

The amount of a contingent loss is recognized as a provision if it is probable that future events will confirm that, a liability incurred as at the statement of financial position date and a reasonable estimate of the amount of the resulting loss can be made.

2.22 Related party transactions

Related parties are those where one of the party is controlled by the other or has significant influence in making financial or business decisions of the other party.

2.23 Segment reporting

A segment is a distinguishable group of assets and operating activities that is engaged in providing products or services, subject to risks and rewards that are different from those of other segments. Geographical segment provides products and services within a defined economic surrounding exposed to risks different from those of other geographical segments.

2.24 Events after the reporting date

Post-year-end events that provide additional information about a Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, including credit risk and risks associated with the effects of changes in foreign currency exchange rates and interest rates. The Company's risk management focuses on unpredictability of markets and seeks to minimize potential adverse effects over the Company's business performance.

Risk management is carried out by the Board of Directors based on certain pre – approved written policies and procedures that cover overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of appropriate securities and investing excess liquidity.

3.2 Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Company does not use any instrument to hedge the foreign exchange risk. The Company's Board of Directors is responsible to maintain adequate net position in each currency and in total and its operations are daily monitored by the Company's management.

The carrying value of the monetary assets and liabilities of the Company denominated in foreign currencies is as follows:

Assets		*2012 In Euro*	*2011 In Euro*
Cash and cash equivalents	*EUR*	*1,115,417*	*684,781*
Trade receivables – foreign debtors	*EUR*	*3,090,805*	*5,127,175*
		4,206,222	**5,811,956**
Liabilities			
Trade payables – foreign suppliers	*EUR*	*(2,051,375)*	*(2,797,531)*
Borrowings	*EUR*	*(8,193,466)*	*(3,615,362)*
		(10,244,841)	**(6,412,893)**

Foreign currency sensitivity analysis

	Net amount in Euro	*+10%*	*-10%*
31 December 2012			
Gain or (loss)	*(6,038,619)*	*(603,862)*	*603,862*
31 December 2011			
Gain or (loss)	*(600,937)*	*(60,094)*	*60,094*

The sensitivity analysis includes only monetary items denominated in foreign currencies at year end, and a correction of their value is made for a 10% change in foreign currency rates. The positive, i.e. negative amount indicates increase/decrease in profit or other equity, which occurs when the Denar weakens/strengthens its value against foreign currencies by +/- 10%.

Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligation with a floating interest rate. The Company's management is primarily responsible for daily monitoring of the net interest rate risk position and it sets limits to reduce the potential of interest rate mismatch.

The table below summarizes the Company's exposure to interest rate risk.

	2012 In Euro	2011 In Euro
Assets		
Non-interest bearing:		
Non-current trade receivables		
Trade and other receivables	*3,563,108*	*5,651,596*
Cash and cash equivalents	*1,221*	*1,290*
	3,564,329	**5,652,886**
with fixed interest rate:		
Investments in government bonds	*85*	*94*
Cash and cash equivalents	*1,251,000*	*715,977*
	1,251,085	*716,071*
	4,815,414	**6,368,957**
Liabilities		
Non-interest bearing:		
Trade and other payables	*3,373,056*	*3,419,743*
	3,373,056	**3,419,743**
with fixed interest rate:		
Borrowings	*22,876*	*4,012*
	22,876	*4,012*
with variable interest rate:		
Borrowings	*8,193,466*	*3,615,362*
	8,193,466	*3,615,362*
Interest sensitivity gap	**11,589,398**	**7,039,117**

Nominal interest rates are 6 months Euribor + 5% (2011: 6 months Euribor + 4.5%)

Interest rate sensitivity analysis

At 31 December 2012	*Net amount in Euro*	*2%*	*-2%*
Borrowings with variable interest rate	*(8,193,466)*	*(163,869)*	*163,869*

At 31 December 2011	*Net amount in Euro*	*2%*	*-2%*
Borrowings with variable interest rate	*(3,615,362)*	*(72,307)*	*72,307*

3.3 Credit risk

Credit risk is the risk of financial loss to the Company if the customer or counterparty to a financial instrument fails to meet its contractual obligations and arises mainly from the Company's trade receivables. The Company's exposure to credit risk is principally influenced by the individual characteristics of each customer.

Credit risk (continued)

The Company has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any counter party. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade receivables based entirely on specific losses related to individually significant exposures. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as summarised below:

	2012	*2011*
Classes of financial assets – carrying amounts (in Euro):		
Non-current trade receivables	*-*	*-*
Investments in government bonds	*85*	*94*
Cash and cash equivalents	*1,252,221*	*717,267*
Trade and other receivables	*3,563,108*	*5,651,596*
	4,815,414	**6,368,957**

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Company secures its credit exposure to customers with bank guarantees, letter of credits, cash deposits, prepayments etc. Though the Company has a big exposure to volatile Greek market (at around 60% of sales), the selected distributors are mostly export oriented, a fact that minimizes the Greek market exposure risk. To the best of our knowledge, the Company's major customers have not experienced significant financial difficulties to date. Credit quality of trade receivables as at 31 December 2012 is considered to be good.

As of the statement of financial position date the credit quality of Company's trade receivables and advances to suppliers is disclosed Note 9.

3.4 Liquidity risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as forecast cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time bands. Net cash requirement are compared to available borrowing facilities in order to determine any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period. The Company maintains cash to meet its liquidity requirements for 30-day periods at a minimum. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2012 and 2011, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarised below:

At 31 December 2012	*Current 1 to 12 months (In Euro)*	*1 to 5 years (In Euro)*	*Non – current Later than 5 years (In Euro)*
Interest – bearing borrowings	*2,960,780*	*5,255,562*	*-*
Trade and other payables	*3,373,056*	**-**	*-*
	6,333,836	**5,255,562**	**-**

	Current 1 to 12 months	*1 to 5 years*	*Non – current Later than 5 years*

At 31 December 2011	*(In Euro)*	*(In Euro)*	*(In Euro)*
Interest – bearing borrowings	*1,869,347*	*1,750,027*	-
Trade and other payables	*3,419,743*	-	-
	5,289,090	**1,750,027**	**-**

The above amounts reflect the contractual undiscounted cash flows, which may differ to the carrying values of the liabilities at the reporting date.

3.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Gearing ratio

The structure of the Company's equity comprises of liabilities, cash and cash equivalents and equity, which comprises of share capital, reserves, revaluation surplus and retained earnings. The Management reviews the capital structure on annual basis as a relation between the net loan liabilities and the total capital.

The net loan liabilities are calculated as total liabilities for borrowings less the amount for cash and cash equivalents.

The debt indicator at year end is as follows:

	2012 *(In Euro)*	*2011* *(In Euro)*
Interest-bearing borrowings	*8,216,342*	*3,619,374*
Cash and cash equivalents	*(1,252,221)*	*(717,267)*
Net liabilities	**6,964,121**	**2,902,107**
Shareholders' equity	*16,076,407*	*18,137,565*
Gearing ratio	**0.43**	**0.16**

3.6 Fair value estimation

Fair value represents the amount at which an asset could be replaced or a liability settled on an arm's length basis. Fair values have been based on management assumptions according to the profile of the asset and liability base.

3.6.1 Financial instruments presented at fair value

The financial assets measured according to the fair value in the statement of financial position in accordance with the hierarchy of the fair value are shown in the next table. This hierarchy groups the financial assets and liabilities into three levels that are based on the significance of the incoming data used during the measurement of the fair value of the financial assets. Fair value hierarchy is as follows:

Fair value estimation (continued)

- **Level 1**: quoted prices (not adjusted) on the active markets for identical assets or liabilities;
- **Level 2**: other incoming data, aside from the quoted prices, included in Level 1 which are available for asset or liability observing, directly (i.e. as prices), or indirectly (i.e. made of prices) and
- **Level 3**: incoming data on the asset or liability that are not based on data available for market observing.

31 December 2012	*Level 1 (In Euro)*	*Level 2 (In Euro)*	*Level 3 (In Euro)*	*Total (In Euro)*
Assets				
Government bonds	*85*	*-*	*-*	*85*
Total	**85**	**-**	**-**	**85**

31 December 2011	*Level 1 (In Euro)*	*Level 2 (In Euro)*	*Level 3 (In Euro)*	*Total (In Euro)*
Assets				
Government bonds	*94*	*-*	*-*	*94*
Total	**94**	**-**	**-**	**94**

3.6.2 Financial instruments that are not presented at fair value

The following table summarizes the carrying amounts and fair values to those financial assets and liabilities that are not presented in the Statement of financial position at their fair value:

		Carrying value		*Fair value*
	2012 (In Euro)	*2011 (In Euro)*	*2012 (In Euro)*	*2011 (In Euro)*
Assets				
Trade and other receivables	*3,563,108*	*5,651,596*	*3,563,108*	*5,651,596*
Cash and cash equivalents	*1,252,221*	*717,267*	*1,252,221*	*717,267*
Total assets	**4,815,329**	**6,368,863**	**4,815,329**	**6,368,863**
Liabilities				
Borrowings	*8,216,342*	*3,619,374*	*8.216,342*	*3,619,374*
Trade and other payables (without tax liabilities)	*3,373,056*	*3,419,743*	*3,373,056*	*3,419,743*
	11,589,398	**7,039,117**	**11,589,398**	**7,039,117**

Loans and receivables

Loans and receivables are carried at amortized cost, minus the provisions for impairment. Their fair value corresponds to their carrying value.

Other financial assets

Fair value of monetary assets that include cash and cash equivalents is considered to approximate their carrying value due to their maturity of less than 3 months.

Trade and loans payable

Carrying value of trade and loans payable approximates their fair value.

4 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Uncertainty in judgments

Impairment of non- financial assets

Impairment losses are recognized in the amount for which the carrying value of the asset or the cash generating unit exceeds the recoverable amount. When determining the recoverable amount, the Management evaluates expected prices and cash flows from each cash generating unit and determines an appropriate interest rate when calculating the present value of such cash flows.

Impairment of financial assets

Impairment of trade and other receivables

Company calculates impairment for trade and other receivables based on estimated losses resulting from the inability of customers to make required payments. The estimation is based on the ageing of account receivables balance and historical write-off experience, customer credit-worthiness and changes in customer payment terms when evaluating the adequacy of the impairment loss for doubtful accounts. These involve assumptions about future customer behaviour and the resulting future cash collections. If the financial condition of customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

Useful life of amortised assets

Management regularly reviews the useful lives of amortised assets as at the statement of financial position date. Management estimates that the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analysed in Note 5 and 6. However, the factual results may differ due to the technological obsoleteness.

Inventories

Inventories are stated at the lower of cost and net realisable value. When determining the net realisable value, the most objective evidence / data available at the making of assessments are taken.

(All amounts expressed in Euros, unless otherwise stated)

5 Property, plant and equipment

	Land & Buildings	Machinery & equipment	Construction in progress	Total
At 01 January 2011				
Cost or valuation	*4,899,878*	*15,592,293*	*164,133*	*20,656,304*
Accumulated depreciation	*(1,463,751)*	*(6,374,359)*	*-*	*(7,838,110)*
Net carrying amount	**3,436,127**	**9,217,934**	**164,133**	**12,818,194**
Year ended 31 December 2011				
Opening net carrying amount	*3,436,127*	*9,217,934*	*164,133*	*12,818,194*
Translation differences	*8*	*(3)*	*-*	*5*
Additions, net of transfers from C.I.P.	*205,678*	*1,126,959*	*28,265*	*1,360,902*
Disposals-net	*(6,768)*	*(85,302)*	*(741)*	*(92,811)*
Depreciation charge for the year	*(106,897)*	*(774,966)*	*-*	*(881,863)*
Closing carrying amount	**3,528,148**	**9,484,622**	**191,657**	**13,204,427**
At 31 December 2011 / 01 January 2012				
Cost or valuation	*5,098,796*	*16,633,947*	*191,657*	*21,924,400*
Accumulated depreciation	*(1,570,648)*	*(7,149,325)*	*-*	*(8,719,973)*
Net carrying amount	**3,528,148**	**9,484,622**	**191,657**	**13,204,427**
Year ended 31 December 2012				
Opening net carrying amount	*3,528,148*	*9,484,622*	*191,657*	*13,204,427*
Translation differences	*287*	*765*	*16*	*1,068*
Additions, net of transfers from C.I.P.	*108,958*	*723,220*	*(8,488)*	*823,690*
Disposals-net	*-*	*(674)*	*-*	*(674)*
Depreciation charge for the year	*(111,301)*	*(840,128)*	*-*	*(951,429)*
Closing carrying amount	**3,526,092**	**9,367,805**	**183,185**	**13,077,082**
At 31 December 2012				
Cost or valuation	*5,208,041*	*17,357,258*	*183,185*	*22,748,484*
Accumulated depreciation	*(1,681,949)*	*(7,989,453)*	*-*	*(9,671,402)*
Net carrying amount	**3,526,092**	**9,367,805**	**183,185**	**13,077,082**

Construction in progress

As of 31 December 2012, the balance of construction in progress in the amount of 183,185 Euros consists of the cost of building part of filtering station and purchased computer and other equipment.

Sale and disposal of machinery and equipment

During 2012 the Company disposed part of its office equipment and computers the net carrying value of which amounts Euro 674 Euros (2011: Euro 92,811).

Pledge over property, plant and equipment

As of 31 December 2012, the Company has pledged part of its property, plant and equipment to secure borrowings (see Note 13). As of the statement of financial position date, their appraised value is in the amount of 8,400,000 Euros (see Note 25).

(All amounts expressed in Euros, unless otherwise stated)

6 Intangible assets

	Trademarks and development expenditure	*Intangibles in progress*	*Total*
At 01 January 2011			
Cost or valuation	*157,499*	*62,775*	*220,274*
Accumulated depreciation	*(34,322)*	*-*	*(34,322)*
Net carrying amount	**123,177**	**62,775**	**185,952**
Year ended 31 December 2011			
Opening net carrying amount	*123,177*	*62,775*	*185,952*
Translation differences	*(2)*	*9*	*7*
Additions, net of transfers from intangibles in progress	*205,892*	*6,382*	*212,274*
Depreciation charge for the year	*(49,520)*	*-*	*(49,520)*
Closing carrying amount	**279,547**	**69,166**	**348,714**
At 31 December 2011 / 01 January 2012			
Cost or valuation	*363,389*	*69,166*	*432,555*
Accumulated depreciation	*(83,842)*	*-*	*(83,842)*
Net carrying amount	**279,547**	**69,166**	**348,713**
Year ended 31 December 2012			
Opening net carrying amount	*279,547*	*69,166*	*348,713*
Translation differences	*27*	*80*	*107*
Additions, net of transfers from intangibles in progress	*192,274*	*1,789,000*	*1,981,274*
Depreciation charge for the year	*(84,546)*	*-*	*(84,546)*
Closing carrying amount	**387,302**	**1,858,246**	**2,245,548**
At 31 December 2012			
Cost or valuation	*555,690*	*1,858,246*	*2,413,936*
Accumulated depreciation	*(168,388)*	*-*	*(168,388)*
Net carrying amount	**387,302**	**1,858,246**	**2,245,548**

During the second quarter of 2012 the Company entered into an agreement with a subcontractor for performing different kind of services related to earth moving and stripping activities. Since the activities performed are related to development and pre-production phase, the Company has capitalized all the expenses in amount of 1,775,422 Euros as intangible asset in its Statement of financial position.

As of 31 December 2012 the balance of intangibles in progress in the amount of 82,824 Euros relates to acquisition of software from Login Sistemi doo Skopje, a local software supplier.

Out of the total depreciation and amortization for the year ended 31 December 2012 amounting 1,035,975 Euros (2011: 931,383 Euros), 991,147 Euros (2011: 885,129 Euros) has been charged in cost of sales and the remaining in the amount of 44,827 Euros (2011: 46,254 Euros) into administrative and selling expenses (see Note 18).

(All amounts expressed in Euros, unless otherwise stated)

7 Financial instruments by categories

The carrying amounts of the Company's financial assets and liabilities as recognised at the statement of financial position date may also be categorised as follows.

31 December 2012	*Loans and receivables*	*Assets at fair value through profit and loss*	*Available – for – sale*	*Total*
Assets according to the Statement of financial position				
Other short term financial assets	-	85	-	85
Trade and other receivables	3,563,108	-	-	3,563,108
Cash and cash equivalents	1,252,221	-	-	1,252,221
	4,815,329	**85**	**-**	**4,815,414**

	Liabilities at fair value through profit and loss	*Other financial liabilities*	*Total*
Liabilities according to the Statement of financial position			
Interest bearing borrowings	-	8,216,342	8,216,342
Trade and other payables	-	3,373,056	3,373,056
	-	**11,589,398**	**11,589,398**

31 December 2011	*Loans and receivables*	*Assets at fair value through profit and loss*	*Available – for – sale*	*Total*
Assets according to the Statement of financial position				
Other short term financial assets	-	94	-	94
Trade and other receivables	5,651,596	-	-	5,651,596
Cash and cash equivalents	717,267	-	-	717,267
	6,368,863	**94**	**-**	**6,368,957**

	Liabilities at fair value through profit and loss	*Other financial liabilities*	*Total*
Liabilities according to the Statement of financial position			
Interest bearing borrowings	-	3,619,374	3,619,374
Trade and other payables	-	3,419,743	3,419,743
	-	**7,039,117**	**7,039,117**

8 Inventories

	2012	*2011*
Work in progress	4,306,237	3,657,933
Finished products	1,474,462	1,815,979
Spare parts	342,849	327,138
Raw materials	119,075	151,654
Trade goods	79,977	80,178
Other	5,067	6,806
	6,327,667	**6,039,688**

During 2012 obsolete inventories in the amount of 118,413 Euros (2011: 15,667 Euros) have been written off against current profit and loss. In addition the expense for wastage, failure and fracture was recognized in the amount of 136,614 Euros (2011: none) in the current profit and loss (see Note 18).

(All amounts expressed in Euros, unless otherwise stated)

9 Trade and other receivables

	2012	2011
Current trade receivables		
Local debtors	*502,644*	*559,978*
Foreign debtors	*1,338,122*	*7,565,654*
Related parties' receivables (see Note 23)	*1,753,254*	*4,693,929*
	3,594,020	**12,819,561**
Less: impairment provision	*(78,245)*	*(7,210,091)*
	3,515,775	**5,609,470**
Prepayments		
Prepaid corporate income tax	*1,011,480*	*-*
Deferred expenses	*273,256*	*15,240*
Prepaid VAT	*101,749*	*49,669*
Advances to suppliers	*53,588*	*32,530*
Other current receivables	*47,333*	*3,004,582*
	1,487,406	**3,102,021**
Less: impairment provision	*-*	*(2,962,456)*
	1,487,406	**139,565**
Trade and other receivables, net	**5,003,181**	**5,749,035**

On 24 March 2009, the Company entered into a settlement agreement with Phalerco LTD Cyprus for determining the repayment schedule of the outstanding receivables. According to the agreement, the receivables of Phalerco LTD Cyprus in the amount of 7,115,288 Euros become due for payment on 31 December 2011. No payment was made before, on or after 31 December 2011. Based on the steps already taken and the lack of response from Phalerco LTD Cyprus, management estimated that the amount of receivables cannot be recovered and as of 31 December 2011 included an impairment provision for the whole amount of the receivables. During 2012, the Company received confirmation from the liquidator of Phalerco, stating that the debtor is under liquidation and has no assets for settlement of its obligations towards the Company. Accordingly, as of 31 December 2012 the Company wrote-off the balance due from Phalerco which was previously fully provided for. .

On 28 May 2012, the Company entered into a non-exclusive agency agreement with FHL H. Kyriakidis Marbles - Granites S.A. ("FHL") for promoting the Company's brand Sivec and its products, for the period until 31 March 2014. This agreement, forms part of the amicable settlement reached by the two companies relating to their dispute, brought in 2011 before an international arbitral tribunal. Pursuant to this Agreement FHL will have the right to purchase 25% of Sivec products extracted by the Company. . According to this dispute the Company recognized provision for impairment as of 31 December 2011 in the amount of 2,962,456 Euros. However, in 2012 the Company received final decision from the international arbitral tribunal and wrote-off previously impaired receivables from FHL in the amount of 2,962,456 Euros.

At 31 December 2012 the balance of 1,011,480 Euros relates to prepaid corporate income tax on which the Company submitted request for tax refund to the Revenue Public Office. According to the Law on Income Tax the Revenue Public Office is obliged to perform payment within the period of 60 days starting from the date of submission of the tax refund request.

At 31 December 2012 the age structure of trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	*Foreign trade receivables*	*Advances to suppliers*	*Total*
Amount not due	*16,242*	*2,959,042*	*-*	*2,975,284*
Overdue up to 1 year	*9,924*	*75,892*	*52,432*	*138,248*
Overdue more than 1 year	*476,478*	*56,442*	*1,156*	*534,076*
	502,644	**3,091,376**	**53,588**	**3,647,608**
Less: impairment provision	*(77,674)*	*(571)*	*-*	*(78,245)*
	424,970	**3,090,805**	**53,588**	**3,569,363**

(All amounts expressed in Euros, unless otherwise stated)

Trade and other receivables (continued)

At 31 December 2011 the age structure of trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	*Foreign trade receivables*	*Advances to suppliers*	*Total*
Amount not due	-	4,905,461	-	4,905,461
Overdue up to 1 year	288,928	7,273,502	30,998	7,593,428
Overdue more than 1 year	271,050	80,620	1,532	353,202
	559,978	**12,259,583**	**32,530**	**12,852,091**
Less: impairment provision	(77,683)	(7,132,408)	-	(7,210,091)
	482,295	**5,127,175**	**32,530**	**5,642,000**

At 31 December 2012 the credit quality of Company's trade receivables and advances to suppliers can be analysed as follows:

	Neither past due nor impaired	*Past due but not impaired*	*Impaired*	*Total*
Cost	2,975,284	594,079	78,245	3,647,608
Less: Impairment provision	-	-	(78,245)	(78,245)
	2,975,284	**594,079**	**-**	**3,569,363**

At 31 December 2011 the credit quality of Company's trade receivables and advances to suppliers can be analysed as follows:

	Neither past due nor impaired	*Past due but not impaired*	*Impaired*	*Total*
Cost	4,905,461	736,539	7,210,091	12,852,091
Less: Impairment provision	-	-	(7,210,091)	(7,210,091)
	4,905,461	**736,539**	**-**	**5,642,000**

Following table provides for the movement of impairment provision account for the years ended 31 December 2012 and 2011:

	2012	*2011*
At 01 January	**7,210,091**	**83,299**
Write off of previously impaired receivables	(16,564)	(5,647)
Write off of previously impaired receivables – Phalerco	(7,115,288)	-
Impairment provision	-	7,132,439
Translation differences	6	-
At 31 December	**78,245**	**7,210,091**

Following table provides for the movement of impairment provision account of other receivables for the years ended 31 December 2012 and 2011:

	2012	*2011*
At 01 January	**2,962,456**	**-**
Impairment provision	**-**	2,962,456
Write-off of previously impaired receivables	(2,962,456)	-
At 31 December	**-**	**2,962,456**

(All amounts expressed in Euros, unless otherwise stated)

10 Other short term financial assets

Other short term financial assets consist entirely of bonds issued by the Government of the Republic of Macedonia, the majority of which were used to settle the Company's concession liabilities towards the Ministry of Economy of the Republic of Macedonia. Government bonds are carried at fair value.

	2012	*2011*
At 01 January	**94**	**321**
Investment in held to maturity government bonds	*-*	*96,765*
Sold government bonds	*-*	*(45,802)*
Settlement of liabilities for concession	*-*	*(49,749)*
Matured government bonds	*(9)*	*-*
Loss from sale of government bonds (see note 18)	*-*	*(1,439)*
Translation differences	*-*	*(2)*
At 31 December	**85**	**94**

11 Cash and cash equivalents

	2012	*2011*
Bank accounts	*1,251,000*	*715,977*
Cash on hand	*1,221*	*1,290*
	1,252,221	**717,267**

12 Share capital

Shares issued

Authorized, issued and fully paid ordinary shares 1 Euro at par	*Number of shares*	*Ordinary shares (Euros)*	*Share premium (Euros)*	*Total (Euros)*
At 31 December 2012 and 2011	**4,686,858**	**4,686,858**	**4,158,313**	**8,845,171**

The structure of share capital at 31 December 2012 and 2011 is as follows:

	Number of shares	*Amount in Euros*	*%*
Stone Works Holdings Cooperatief U.A. Netherlands	*4,143,357*	*4,143,357*	*88.40*
Piraeus Bank S.A. [1]	*468,700*	*468,700*	*10.00*
Other – minority	*74,801*	*74,801*	*1.60*
	4,686,858	**4,686,858**	**100.00**

Other components of equity

	Translation reserve	*Statutory reserves*	*Revaluation reserve*	*Total*
At 1 January 2012	**(10,042)**	**7,528,471**	**1,582,576**	**9,101,005**
Allocation for dividends	*-*	*(1,398,785)*	*-*	*(1,398,785)*
Loss coverage for the year 2011	*-*	*(2,316,618)*	*-*	*(2,316,618)*
Reallocation of translation differences	*(77,037)*	*-*	*-*	*(77,037)*
Translation differences	*1,553*	*-*	*-*	*1,553*
At 31 December 2012	**(85,526)**	**3,813,068**	**1,582,576**	**5,310,118**
At 1 January 2011	**-**	**7,528,471**	**1,618,795**	**9,147,266**
Revaluation surplus on property, plant and equipment sold	*-*	*-*	*(36,219)*	*(36,219)*
Translation differences	*(10,042)*	*-*	*-*	*(10,042)*
At 31 December 2011	**(10,042)**	**7,528,471**	**1,582,576**	**9,101,005**

[1] In its capacity of the issuer of the ELPIS certificates

(All amounts expressed in Euros, unless otherwise stated)

Share capital (continued)

Revaluation reserve

Revaluation surplus, which at 31 December 2012 amounts to 1,582,576 Euros (31 December 2011: 1,582,576 Euros) was initially created during 2002, based upon the independent valuation of groups of Company's property, plant and equipment. Subsequent changes (transfers into retained earnings) relate to surpluses of those assets sold.

Statutory reserve

Reserves, which as of 31 December 2012 amounts to 3,813,068 Euros (31 December 2011: 7,528,471 Euros), are created during the years by allocation of parts of the net income after tax. According to the prevailing local legal regulations, the Company is required to set aside each year, 15% from its annual net income after tax, until the level of such reserves reach 20% of the registered capital. Based on Decision no. 02-495/5 dated 16 May 2012 part of statutary reserves in the amount of 2,316,618 Euros was distributed for coverage of losses from year 2011.

With an assembly decision reserves can be distributed for dividends to the shareholders and/or for purchase of its own shares.

Dividends

At 05 March 2012 and according to the Shareholders' Extraordinary Assembly decision no. 02-253/3, part of the prior years retained earnings and reserves accumulated in the years before 01 January 2009 in the amount 3,983,829 Euros (2011: 6,509,493 Euros) were allocated for dividends distribution.

During March 2012 the Company paid dividends to its shareholders in the total amount of 3,983,134 Euros (2011: 6,508,470 Euros) which are not taxable since they are distributed from retained earnings and reserves accumulated in the years before 01 January 2009 (2011: 650,920 Euros relates to taxes on dividends).).

13 Borrowings

	2012	*2011*
Long – term interest bearing borrowings from banks		
Komercijalna Banka ad, Skopje (original amount: 18,920,000 Euros; interest rate 6m.Libor.+5%)	*6,188,913*	*3,532,029*
Komercijalna Banka ad, Skopje (original amount: 123,280,000 Denars; interest rate 7.5% p.a.)	*2,004,553*	*-*
Finance lease liabilities	*12,435*	*-*
	8,205,901	**3,532,029**
Less: current maturity of long term borrowings	*(2,950,339)*	*(1,782,002)*
Total long – term borrowings	**5,255,562**	**1,750,027**
Short – term interest bearing borrowings from banks		
Komercijalna Banka ad, Skopje (original amount: 200,000 Euros; interest rate 6m.Libor+4.5%)	*-*	*83,333*
Komercijalna Banka ad, Skopje, visa credit card	*2,587*	*4,012*
Finance lease liabilities	*7,854*	*-*
	10,441	**87,345**
Add: current maturity of long term borrowings	*2,950,339*	*1,782,002*
Total short-term borrowings	**2,960,780**	**1,869,347**

Total loans and finance lease additions during the year ended 31 December 2012 amounts to 6,760,649 Euros (2011: 200,000 Euros). Total loans repaid during the same period amounts to 2,163,681 Euros (2011: 2,931,334 Euros).

(All amounts expressed in Euros, unless otherwise stated)

Borrowings (continued)

The long-term borrowings repayments schedule is as follows:

	2012	2011
Due within 12 months	2,950,339	1,782,002
Due within 1 – 2 years	1,831,893	1,434,238
Due within 2 – 5 years	3,411,234	315,789
	8,193,466	**3,532,029**

Loans from local financial institutions are secured by mortgage over part of the Company's properties (see also Notes 5 and 25).

The long-term finance lease liabilities relate to lease of vehicle. Repayment schedule of finance lease liabilities is as follows:

	2012	2011
Present value of payment:		
Due within 1 year	7,854	-
Due between 1 – 5 years	12,435	-
Due over 5 years	-	-
	20,289	-

14 Trade and other payables

	2012	2011
Trade creditors		
Local suppliers	1,064,553	360,899
Foreign suppliers	1,742,385	2,764,531
Related parties' payables (see Note 23)	308,990	33,000
	3,115,928	**3,158,430**
Other current liabilities		
Liabilities to employees and management	230,039	237,130
Customers' prepayments	71,252	8,674
Interest payable	24,532	12,434
Dividends payables (net of local taxes)	1,924	1,371
Accrued expenses	-	18,096
Other	633	10,378
	328,380	**288,083**
Total trade and other payables	**3,444,308**	**3,446,513**

15 Tax payables

	2012	2011
Corporate income tax liabilities	92,464	783,706
Concession fees and other levies	62,152	56,903
Withholding tax	10,917	-
Personal income tax liabilities	2,980	2,879
Tax on dividends distributed to non – residents	214	12,284
	168,727	**855,772**

(All amounts expressed in Euros, unless otherwise stated)

16 Sales

	2012	2011
Local market	730,858	892,029
Foreign markets:		
- Greece	6,761,870	186,141
- Cyprus	3,694,082	10,911,329
- Other Former Yugoslavia	621,383	632,456
- Other markets	1,461,365	928,479
Sub- total – sales on foreign markets	12,538,700	12,658,405
Total sales	**13,269,558**	**13,550,434**

17 Cost of sales

	2012	2011
Stock of finished products and W.I.P. at 01 January	5,473,912	3,509,518
Add: Total production for the year ended 31 December	7,463,327	6,905,693
Less: Stock of finished products and W.I.P. at 31 December	(5,780,699)	(5,473,912)
	7,156,540	**4,941,299**

18 Administrative and selling expenses

	Year ended 31 December 2012		Year ended 31 December 2011	
	Administrative	Selling	Administrative	Selling
Customers' discounts	-	1,757,251	-	-
Consulting services	502,382	-	595,708	-
Staff costs	459,803	100,686	438,613	60,124
Lawyer services	300,910	-	128,462	-
Services	110,668	114,443	95,367	225,623
Taxes and other levies	90,230	1,043	65,718	-
Marketing and promotion	45,010	97,324	54,152	15,677
Depreciation (Note 6)	44,326	501	45,754	500
Materials, supplies and utilities	32,250	21,393	23,995	24,316
Impairment losses on trade receivables	-	-	-	10,134,098
Direct write off of receivables	-	181,375	-	-
Wastage, failure and fracture (Note 8)	-	136,614	-	-
Write off of obsolete inventories (Note 8)	-	118,413	-	15,667
Shortages	-	2,932	-	1,064
Present value of assets sold and written off	-	510	-	92,228
Impairment loss on investments (Note 10)	-	-	-	1,439
Impairment of doubtful other receivables	-	-	-	644
Other expenses and provisions	200,036	24,293	265,377	872,197
	1,785,615	**2,556,778**	**1,713,146**	**11,443,577**

19 Staff costs

	2012	2011
Net salaries	1,972,782	2,088,896
Personal tax and mandatory contributions	917,682	928,886
Other allowances	300,668	237,911
	3,191,132	**3,255,693**

(All amounts expressed in Euros, unless otherwise stated)

20 Other operating income

	2012	2011
Income from value adjustment of inventories	*552,620*	*-*
Payables write offs and stock count surplus	*1,579*	*9,764*
Raw materials sold	*277*	*12,640*
Income from investments in government bonds	*1*	*5,991*
Income from tangible assets sold	*-*	*33,049*
Other income	*133,012*	*164,003*
	687,489	**225,447**

The amount of 552,620 Euros relates to release of previously recognised provision for impairment losses of inventories sold during the year ended 31 December 2012.

21 Finance income and costs

	2012	2011
Finance income		
Interest income	*49,847*	*224,254*
Foreign exchange gains	*82,764*	*75,935*
	132,611	**300,189**
Finance (costs)		
Interest (expense)	*(468,786)*	*(318,044)*
Bank (charges)	*(103,201)*	*(55,189)*
Foreign exchange (losses)	*(97,620)*	*(74,435)*
	(669,607)	**(447,668)**
Finance (costs), net	**(536,996)**	**(147,479)**

22 Income tax expense

	2012	2011
Current tax expense	*-*	*1,045,955*
Deferred tax expense	*-*	*-*
	-	**1,045,955**

The charge for the year can be reconciled to the profit per Statement of comprehensive income for 2012 and 2011 as follows:

	2012	2011
Non – deductible expenses	*537,606*	*10,459,550*
Tax credit of expenses with deferred recognition	*(9,858,401)*	*-*
	-	*10,459,550*
Current tax charge at rate of 10%	**-**	**1,045,955**

The tax credit in the amount of EUR 9,858,401 relates to expenses for impairment of receivables from Phalerco LTD Cyprus and FHL H. Kyriakidis Marbles - Granites S.A. (“FHL”) recognized in 2011, where no appropriate documentation as required by the tax authorities was available in order these receivables to be recognized as tax deductible expenses. Hence, these expenses were considered as non-deductible expenses and the tax charge of 10% was recognized in the financial statements as of and for the year ended 31 December 2011. However, as it is disclosed in note 9 to the financial statements, in 2012 the Company obtained all the relevant documentation such as Confirmation of receipt of the claim and acceptance of the receivables by the liquidator for Phalerco and AWARD by the International Court of Arbitration for FHL and it declared the tax credit of expenses with deferred recognition in the amount of EUR 9,858,401.

(All amounts expressed in Euros, unless otherwise stated)

23 Related party transactions

The table below provides for the volume and balances from the related party transactions as of and for the years ended 31 December 2012 and 2011:

31 December 2012	*Cash*	*Receivables*	*Payables*	*Revenues*	*Expenses*
Stone Works Holding Cooperatief U.A Netherlands	-	-	*200,000*	-	*199,992*
Castleblock Limited Nicosia Cyprus	-	*1,644,066*	-	*3,700,448*	*36,938*
NBGI Private Equity London	-	*109,188*	*75,990*	*109,184*	*80,202*
Ethemba Capital No.8 NV Curacao Netherlands Antilles	-	-	*33,000*	-	*32,999*
Stopanska Banka AD Skopje	*3,957*	-	-	-	-
Key management remuneration	-	-	-	-	*203,095*
	3,957	**1,753,254**	**308,990**	**3,809,632**	**553,226**

31 December 2011	*Cash*	*Receivables*	*Payables*	*Revenues*	*Expenses*
Stone Works Holding Cooperatief U.A Netherlands	-	-	-	-	*400,371*
Castleblock Limited Nicosia Cyprus	-	*4,644,056*	-	*10,911,329*	*109,158*
NBGI Private Equity London	-	*49,873*	-	*107,473*	*65,991*
Ethemba Capital No.8 NV Curacao Netherlands Antilles	-	-	*33,000*	-	*32,997*
Stopanska Banka AD Skopje	*3,295*	-	-	-	-
Key management remuneration	-	-	-	-	*315,068*
	3,295	**4,693,929**	**33,000**	**11,018,802**	**923,585**

24 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	2012	*2011*
Profit / (Loss) attributable to equity holders of the Company	*1,921,118*	*(5,515,575)*
Weighted average number of ordinary shares	*4,686,858*	*4,686,858*
Basic earnings per share (Euros per share)	**0,41**	**(1,18)**

(All amounts expressed in Euros, unless otherwise stated)

25 Contingent liabilities

Mortgages

Mortgages provided are as follows:

	2012	2011
Business premises	2,600,000	2,600,000
Machinery & equipment	5,800,000	5,800,000
	8,400,000	**8,400,000**

Guarantees

Guarantee provided is as follows:

	2012	2011
Issued by Komercijalna Banka AD Skopje	130,081	130,071
	130,081	**130,071**

The beneficiary of the guarantee is Company's supplier. The guarantee serve as security that the Company will pay its liabilities on time towards the beneficiary.

Litigations

At 31 December 2012, the estimated Euro equivalent of the legal proceedings raised against the Company amounts Euro 79,232 (2011: 31 December 2011: Euro 66,655). No significant liabilities have been anticipated from these proceedings, as professional advice indicates that it is unlikely that any significant loss will arise.

Tax inspections

Up to 31 Decemcer 2012 the Company was subject of following tax inspections by tax authorities:

- for VAT until 30 June 2009;
- for Personal Income tax and Corporate Income tax for period from 1 January 2007 until 31 December 2008;
- for tax on concessions for the period until 31 December 2011;
- for Withholding tax for the period until 31 March 2012.

For the unaudited tax periods of the Company, for VAT – period from 1 July 2009 until 31 December 2012 and for Personal Income tax and Corporate Income tax - years 2006, 2009, 2010, 2011 and 2012 there is a possibility for additional taxes and penalties. The Company is conducting regular assessment for potential liabilities which are expected to arise from tax inspections of past years. The management is considering that such amounts which might occur will not have any material effect on the financial results and cash flows.

(All amounts expressed in Euros, unless otherwise stated)

26 Commitments

Operating lease liabilities

As of 31 December 2012 the operating lease liabilities relates to lease of vehicles. Repayment schedule of operating lease liabilities is as follows:

	2012	*2011*
Operating lease liabilities		
Present value of payment:		
Due within 1 year	*31,400*	*31,400*
Due between 1 – 5 years	*14,373*	*45,773*
	45,773	**77,173**

27 Concession agreements

During 2000 and 2001, the Company and the Ministry of Economy of the Republic of Macedonia have signed several concession agreements for the purpose of research and exploitation of local marble resources. Under the initial provisions, the Company is awarded with concession on the above-mentioned activities for a period of 30 years.

Following are the basic provisions as set out in the concession agreements under which, the Company is liable on:

- Annual fee for use of territory on which the concession has been granted in the amount of Euro 5,742, and
- Concession fee on sold quantities of commercial marble according to the Methodology established by the Ministry of Economy of RM for:
  - blocks at 5% of the value of the material determined at 294 Euros /m3;
  - tombolons at 5% of the value of material determined at 147 Euros /m3 and
  - material different than blocks and tombolones, that is crashed or milled 0,325 Euros/t

28 Information on operating segments

As of 31 December 2012 and 2011, the Company is organized into the following operating segments:

- quarry;
- factory.

Operating results per segments for the years ended 31 December 2012 and 2011, are as follows:

	Quarry	*Factory*	*Total*
Year ended 31 December 2012			
Sales	*9,412,724*	*3,856,834*	*13,269,558*
Profit / loss from operating activities	*2,765,187*	*(307,073)*	*2,458,114*
Financial result, net			*(536,996)*
Profit before tax			**1,921,118**
Income tax			*-*
Profit for the year			**1,921,118**
Other comprehensive income			*1,553*
Total comprehensive income for the year			**1,922,671**
Year ended 31 December 2011			
Sales	*11,349,523*	*2,200,911*	*13,550,434*
Profit from operating activities	*(3,054,722)*	*(1,267,419)*	*(4,322,141)*
Financial result, net			*(147,479)*
Profit / loss before tax			**(4,469,620)**
Income tax			*(1,045,955)*
Profit / loss for the year			**(5,515,575)**
Other comprehensive income / loss			*(10,042)*
Total comprehensive income / loss for the year			**(5,525,617)**

(All amounts expressed in Euros, unless otherwise stated)

Information on operating segments (continued)

Segment assets and liabilities as of 31 December 2012 and 2011 are as follows:

	Quarry	*Factory*	*Total*
31 December 2012			
Total assets	*17,396,012*	*10,509,772*	*27,905,784*
Liabilities	*8,905,682*	*2,923,695*	*11,829,377*
Capital expenditures	*2,643,309*	*161,655*	*2,804,965*
31 December 2011			
Total assets	*15,781,926*	*10,277,298*	*26,059,224*
Liabilities	*7,222,866*	*698,793*	*7,921,659*
Capital expenditures	*1,369,547*	*203,629*	*1,573,176*

Sales per geographical regions are as follows:

	2012	*2011*
Macedonia	*730,858*	*892,029*
Greece	*6,761,870*	*186,141*
Cyprus	*3,694,082*	*10,911,329*
Other Former Yugoslavia	*621,383*	*632,456*
Other markets	*1,461,365*	*928,479*
	13,269,558	**13,550,434**

29 Events after the reporting date

After 31 December 2012 - the reporting date until the approval of this financial statements, there are no adjusting events reflected in the financial statements or events that are materially significant for disclosure in financial statements.