



Financial statements and Independent
Auditors' Report

Mermeren Kombinat AD, Prilep

31 December 2018

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Independent Auditors' Report

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To the Management and Shareholders of Mermeren Kombinat AD, Prilep

Opinion

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 2018, and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mermeren Kombinat AD, Prilep as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements of the Company, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter*Risk of fraud in revenue recognition*

ISAs presume there is a risk of fraud in revenue recognition on every audit engagement. We focused on recognition of revenue because there is a risk of intentional overstatement of revenues by management in order to meet sales target and secure performance incentives. In addition, there is a risk that the Company may have not properly recorded revenue transactions regarding sales returns and rebates at year end. Related accounting policies, judgments and estimates are disclosed in Note 2.20 in the accompanying financial statements.

Risk of management override of internal controls Based on both ISA and our audit methodology, management override of controls should be considered as a significant risk on every audit engagement. Management may directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

How the matter was addressed in our audit

We assessed the consistency of the application of the revenue recognition policy by reconsidering the accounting policy for the different sources of the Company's revenues. We tested the design and operating effectiveness of the controls over revenue systems to determine the extent of additional substantive testing required. We found no material misstatements from our testing. We checked that revenue had been recognized at the correct time by testing a sample of transactions and comparing the shipping dates against which the revenue had been recognized. No exceptions were noted from our testing.

We tested the appropriateness of journal entries recorded in the general ledger by making inquiries of individuals involved in the financial reporting process about inappropriate and unusual activity and tested journal entries. We considered whether there was evidence of bias by Management in the significant accounting estimates and judgements relevant to the financial statements. We also assessed the overall control environment of the Company and interviewed senior management.

Responsibilities of Management for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Skopje,

14 March 2019

Grant Thornton DOO, Skopje

Director
Marjan Andonov

Certified Auditor
Maja Atanasovska

Statement of financial position

	Note	(Amounts in Euro) 31 December 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	5	9,512,198	8,589,773
Intangible assets	6	1,522,463	1,793,342
		11,034,661	10,383,115
Current assets			
Inventories	8	4,854,641	5,366,938
Trade and other receivables	9	2,138,012	4,315,460
Financial receivables	10	5,009,889	-
Cash and cash equivalents	11	21,925,941	5,999,684
		33,928,483	15,682,082
Total assets		44,963,144	26,065,197
Equity			
Shareholders' equity			
Share capital	12	4,686,858	4,686,858
Other components of equity		13,226,103	6,139,690
Retained earnings		23,258,739	10,944,429
Total shareholders' equity		41,171,700	21,770,977
Liabilities			
Non – current liabilities			
Borrowings	13	1,141,235	1,298,647
		1,141,235	1,298,647
Current liabilities			
Borrowings	13	157,412	41,587
Trade and other payables	14	1,252,864	2,058,655
Income tax payables		1,126,161	787,055
Tax payables	15	113,772	108,276
		2,650,209	2,995,573
Total liabilities		3,791,444	4,294,220
Total liabilities and shareholders' equity		44,963,144	26,065,197

These financial statements have been approved by the Board of Directors on 14 March 2019 and signed on its behalf by,

Christoforos Pavlidis
Chairman

Jasna A. Petrusheva
Executive Officer

Nikos Michalopoulos
Chief Financial Officer

See accompanying notes to the financial statements

Statement of comprehensive income

	Note	(Amounts in Euro)	
		Year ended 31 December 2018	2017
Sales	16	39,940,803	26,140,710
Cost of sales	17	(11,538,437)	(10,925,818)
Gross profit		28,402,366	15,214,892
Administrative and selling expenses	18	(3,431,638)	(3,187,859)
Other operating income	20	163,768	153,884
Operating profit		25,134,496	12,180,917
Finance income	21	121,888	274,180
Finance costs	21	(211,168)	(604,656)
Finance (costs), net		(89,280)	(330,476)
Profit before income tax		25,045,216	11,850,441
Income tax expense	22	(2,227,264)	(1,244,455)
Profit for the year		22,817,952	10,605,986
Other comprehensive income for the year:			
Items that will be reclassified subsequently to profit or loss			
Translation differences		4,177	10,219
Other comprehensive income for the year		4,177	10,219
Total comprehensive income for the year		22,822,129	10,616,205
Attributable to :			
Equity holders of the Company		22,817,952	10,605,986
Earnings per share for profit attributable to the equity holders of the Company			
- Basic earnings (expressed in Euros per share)	25	4,87	2.26
EBITDA		27,422,994	14,522,691

See accompanying notes to the financial statements

Statement of changes in equity

	(Amounts in Euro)			
	Share capital	Other components of equity	Retained earnings	Total
At 01 January 2018	4,686,858	6,139,690	10,944,429	21,770,977
Transaction with owners				
Allocation of profit Reinvested earnings	-	7,184,580	(7,184,580)	-
Dividends declared	-	-	(3,421,406)	(3,421,406)
Total transactions with owners	-	7,184,580	(10,605,986)	(3,421,406)
Profit for the year	-	-	22,817,952	22,817,952
<u>Other comprehensive income:</u>				
Transfer of revaluation reserves on disposed tangible assets	-	(102,344)	102,344	-
Exchange differences on translating		4,177	-	4,177
Total other comprehensive income	-	(98,167)	102,344	4,177
Total comprehensive income	-	(98,167)	22,920,296	22,822,129
At 31 December 2018	4,686,858	13,226,103	23,258,739	41,171,700
At 01 January 2017	8,822,410	1,999,780	8,440,846	19,263,036
Transfer of share premium in reserves	(4,135,552)	4,135,552	-	-
Dividends declared	-	-	(8,108,264)	(8,108,264)
Total transactions with owners	(4,135,552)	4,135,552	(8,108,264)	(8,108,264)
Profit for the year	-	-	10,605,986	10,605,986
<u>Other comprehensive income:</u>				
Transfer of revaluation reserves on disposed tangible assets	-	(5,861)	5,861	-
Exchange differences on translating	-	10,219	-	10,219
Total other comprehensive income	-	4,358	5,861	10,219
Total comprehensive income	-	4,358	10,611,847	10,616,205
At 31 December 2017	4,686,858	6,139,690	10,944,429	21,770,977

See accompanying notes to the financial statements

Statement of cash flows

(Amounts in Euro)			
	Note	31 December 2018	31 December 2017
Operating			
Net profit before income tax		25,045,216	11,850,441
<u>Adjusted for:</u>			
Depreciation and amortization	5,6	2,288,498	2,341,774
Value adjustment of inventories	8,18	382,385	199,650
Net carrying amount of equipment sold	5,18	317,824	40,808
Losses on property, plant and equipment sold	5,18	207,185	2,135
Wastage, failure and fracture	8,18	86,709	222,012
Net carrying amount of equipment written off	5,18	78,975	974
Shortages	18	17,232	23,709
Impairment and write offs on trade and other receivables	9,18	485	1,002
Gain on property, plant and equipment sold	5,20	(7,758)	(29,862)
Payables written off and stock count surplus	20	(3,844)	(7,625)
Gains from previously impaired receivables	9,20	(1,045)	(128)
Liabilities for dividends written off	20	(695)	(1,038)
Finance result, net	21	33,560	207,854
Operating profit before working capital changes		28,444,727	14,851,706
<u>Changes in working capital:</u>			
Inventories		62,121	770,693
Trade and other receivables		(1,243,914)	813,588
Trade and other payables		(1,154,417)	509,030
Cash from operations		26,108,517	16,945,017
Interest paid		(50,795)	(217,041)
Income tax paid		(1,888,158)	(438,070)
Cash flows from operating activities, net		24,169,564	16,289,906
Investing			
Purchase of tangible assets, net of proceeds from sales		(3,275,525)	(1,659,564)
Purchase of intangible assets, net of proceeds from sales		(61,873)	(341,392)
Proceeds from sale of equipment		118,397	29,862
Financial receivables		(5,009,889)	-
Interest received		17,095	3,831
Cash flows from investing activities, net		(8,211,795)	(1,967,263)
Financing			
New Borrowings		-	4,293,676
Repayment of borrowings		(41,587)	(6,664,068)
Dividends paid and related taxes		-	(11,529,312)
Cash flows from financing activities, net		(41,587)	(13,899,704)
Net change in cash and cash equivalents		15,916,182	422,939
Cash and cash equivalents at beginning	11	5,999,684	5,564,344
Effects of exchange rate changes on cash and cash equivalents		10,075	12,401
Cash and cash equivalents at end	11	21,925,941	5,999,684

See accompanying notes to the financial statements

Notes to the financial statements

1 General

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

On 10 April 2009 Stone Works Holdings Coöperatief U.A., (“Stoneworks”) a corporation incorporated in the Netherlands, acquired 88.4% of the Company’s shares.

On 5 September 2017, Pavlidis S.A. Marble-Granite, Greece (“Pavlidis”) acquired 100% of the equity interests of Stoneworks.

The Company’s shares are listed on the Macedonian Stock Exchange and on the Athens Stock Exchange via the EL.PIS. (Greek Depository Receipts) status.

On 26 February 2018, Pavlidis proceeded to a public offer to EL.PIS. holders in order to acquire EL.PIS. In the period 01/03/2018 to 28/03/2018, a total of 310,262 EL.PIS. were bought, which represent 6.62% of the total shares of the Company.

On 28 June 2018, Stoneworks acquired an additional 34,449 shares and on 12 July 2018 additional 5,082 shares. Therefore, on 31 December 2018 Stoneworks is the holder of 89.25% of the issued share capital.

The Company’s main business activities include mining, processing and distribution of marble and decorative stones. The Company has signed a mining rights concession agreement that is valid until 2030, renewable then for another 30 years. The Company operates on local and foreign markets and at 31 December 2018 employs 370 persons (2017: 382 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 judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4: Critical accounting estimates and judgments.

The financial statements have been prepared as of and for the years ended 31 December 2018 and 2017. Current and comparative data stated in these financial statements are expressed in Euros, unless otherwise stated.

2.2 Changes in accounting policies

(a) New Standards adopted as at 1 January 2018

The following new amendments to the existing standards issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance standard, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The Company has applied the standard in preparing the financial statements for the year ended 31 December 2018.

The Company's revenue from contracts with customers comprises one main stream being the sale of marble and decorative stones. The Company undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue stream with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. For the Company's revenue stream, the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognised under IFRS 15, is the same as that under IAS 18.

IFRS 9 'Financial Instruments'

IFRS 9, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Company has applied IFRS 9 retrospectively, with the initial application date of 1 January 2018 and has adjusted the comparative information for the period beginning 1 January 2017. There were no impacts on the comparative balances other than a change in classification and measurement of receivables and liabilities.

The adoption of IFRS 9 has impacted the following areas:

- the classification and measurement of the Company's financial assets are reviewed based on the new criteria that consider the assets' contractual cash flows and the business model in which they are managed. An expected credit loss-based impairment will need to be recognized on the Company's trade and other receivables in accordance with the new criteria.

Changes in accounting policies (continued)

- the impairment of financial assets applying the expected credit loss model. This affects the Company's trade and other receivables measured at amortized cost. For contract assets arising from IFRS 15 and trade receivables, the Company applies a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.
- the classification and measurement of the Company's financial liabilities are reviewed based on the new criteria and accounted for at amortized cost using the effective interest rate method as previously by IAS 39.

On the date of initial application, 1 January 2018, the financial instruments of the Company were reclassified as follows (in Euro):

	Measurement category			Carrying amount	
	Original IAS 39 category	New IFRS 9 category	Closing balance 31 December 2017 (IAS 39)	Adoption of IFRS 9	Opening balance 1 January 2018 (IFRS 9)
Financial Assets					
Trade and other receivables	Amortized cost	Amortized cost	521,537	-	521,537
Cash and cash equivalents	Amortized cost	Amortized cost	5,999,684	-	5,999,684
			6,521,221	-	6,521,221
Financial Liabilities					
Borrowings	Amortized cost	Amortized cost	1,340,234	-	1,340,234
Trade and other payables	Amortized cost	Amortized cost	1,453,308	-	1,453,308
			2,793,542	-	2,793,542

There have been no changes to the classification or measurement of financial assets and liabilities as a result of the application of IFRS 9.

(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 authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations has been adopted early by the Company.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months. IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Company have decided not to early adopt.

Management assesses that the Standard will not have a significant impact on the financial statements.

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 (“Denars” or “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 recognized 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 Denars at the middle exchange rate at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into Denars at the National Bank of the Republic of North 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 2018	31 December 2017
1 USD	53.6887 Denars	51.2722 Denars
1 EUR	61.4950 Denars	61.4907 Denars
Average EUR	61.5111 Denars	61.5743 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.

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 & Foundation	20 years
Machines	4-10 years
Equipment	4-10 years
Transport & Furniture	4-5 years
Intangibles	5-16 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 they increase the future economic benefits embodied in the item of property, plant and equipment.

2.5 Intangible assets

Exploration and evaluation assets

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 labor 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 to sixteen years.

Stripping costs

The Company recognizes 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.

The stripping activity asset is accounted for as an addition to the intangibles. It is 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 indirectly 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, licenses, trademarks and software 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 with defined useful life, 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

Impairment of non-financial assets (continued)

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

Recognition and derecognition

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

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorized as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, financial receivables and trade and other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

2.8 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the ‘expected credit loss (ECL) model’. This replaces IAS 39's ‘incurred loss model’. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12-month expected credit losses’ are recognized for the first category while ‘lifetime expected credit losses’ are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Previous financial asset impairment under IAS 39

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

2.9 Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

2.10 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.

2.11 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 recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.12 Inventories

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

2.13 Share capital, reserves, retained earnings and dividends

(a) Share capital and share premium

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

(b) Reserves

Reserves, which comprise revaluation, statutory and special reserves, are generated during the period, based on gains / losses from revaluation of tangible assets, in the case of revaluation reserves, as well as distributing accumulated gains based on legislation and decisions of the management and shareholders of the company. Translation reserve comprises foreign currency translation differences arising from the translation of financial statements to the presentation currency Euro.

(c) Retained earnings

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

(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.

Classification and measurement of financial liabilities (continued)

2.14 Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

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 capitalization.

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

2.16 Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Company as a lessee

Finance leases, which transfers to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased vehicles and equipment or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. The Company has not classified any assets under this category.

Payments of the operating leasing are recognized as an expense on a straight-line basis over the lease term. Associated cost as maintenance and insurance, are expensed as incurred.

Company as a lessor

Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are presented as deferred expenses in the Statement of financial position and recognized in profit or loss over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. Prepaid rents are recognized as deferred income.

2.17 Current and deferred tax expense

Current tax expense for the period is the sum of current and deferred income tax.

Current income tax

Current tax expense at 10% rate is based on the profit shown in the Statement of comprehensive income, adjusted for certain under - declared revenue and non – recognized expenses for tax purposes, tax credit as well as other tax reductions. Legal entities may use tax losses from current period for compensation or elimination of tax liabilities for following periods.

Deferred tax expense

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 2018 and 2017, as there are no temporary differences existing at that date.

2.18 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. The Company pays to the employee's recourse for short term benefits in accordance with the legislation and compensation for unused vacation.

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.

2.19 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.

2.20 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 recognized for future operating losses.

2.21 Revenue and expense recognition

Revenue comprises of revenue from sale of goods – wholesale marble blocks and tiles and from rendering of services. Revenue from major products and services is shown in note 16.

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

To determine whether to recognize revenue from services, the Company follows a 5-step process:

- 1 Identifying the contract with a customer
- 2 Identifying the performance obligations
- 3 Determining the transaction price
- 4 Allocating the transaction price to the performance obligations
- 5 Recognizing revenue when/as performance obligation(s) are satisfied

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

Sales of goods – wholesale marble blocks and tiles

Revenue from the sale of marble blocks and tiles for a fixed fee is recognized when or as the Company transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

Sales of services

Revenue from services is recognized over time as the services are provided.

Finance income and expenses

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

Finance expense comprise interest expense on borrowings and default interest expense on late payments. Borrowing costs are recognized in profit or loss using the effective interest method

Interest income

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

Operating expenses

Operating expenses are recognized upon utilization of the service or at the date of the origin.

Netting of revenues and expenses

The Company undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The Company presents the results of such transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction.

2.22 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.

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.

2.23 Related party transactions

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

2.24 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.

2.25 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		2018	2017
Financial receivables	EUR	2,507,605	-
Cash and cash equivalents	EUR	19,030,995	5,865,166
Trade receivables – foreign debtors	EUR	1,644,977	472,406
Trade receivables – foreign debtors	USD	31	28,591
		23,183,608	6,366,163
Liabilities			
Trade payables – foreign suppliers	EUR	(158,346)	(1,003,153)
Trade payables – foreign suppliers	USD	-	(291)
Trade payables – foreign suppliers	GBP	(80)	(80)
Borrowings	EUR	(1,298,647)	(1,338,000)
		(1,457,073)	(2,341,524)

Foreign currency sensitivity analysis

	Net amount	+1%	+5%	-1%	-5%
31 December 2018					
EUR	21,726,544	217,265	-	(217,265)	-
USD	31	-	2	-	(2)
GBP	(80)	-	(4)	-	4
Gain or (loss)	21,726,495	217,265	(2)	(217,265)	2
	Net amount	+1%	+5%	-1%	-5%
31 December 2017					
EUR	3,996,419	39,964	-	(39,964)	-
USD	28,299	-	1,415	-	(1,415)
GBP	(80)	-	(4)	-	4
Gain or (loss)	4,024,638	39,964	1,411	(39,964)	(1,411)

The sensitivity analysis includes only monetary items denominated in foreign currencies at year end, and a correction of their value is made for a 1% change in the currency of the Euro and for 5% change in the other 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 the Euro by +/- 1% and against other foreign currencies by +/-5%.

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.

	2018 In Euro	2017 In Euro
Assets		
<i>Non-interest bearing:</i>		
Trade and other receivables	1,811,704	521,537
Cash and cash equivalents	1,537	1,488
	1,813,241	523,025
<i>with fixed interest rate:</i>		
Financial receivables	5,009,889	-
Cash and cash equivalents	21,924,404	5,998,196
	26,934,293	5,998,196
	28,747,534	6,521,221
Liabilities		
<i>Non-interest bearing:</i>		
Trade and other payables	1,193,084	1,453,308
	1,193,084	1,453,308
<i>With fixed interest rate:</i>		
Borrowings	-	2,234
	-	2,234
<i>With variable interest rate:</i>		
Borrowings	1,298,647	1,338,000
	1,298,647	1,338,000
Interest sensitivity gap	2,491,731	2,793,542

Interest rate sensitivity analysis

At 31 December 2018	Net amount in Euro	2%	-2%
Borrowings with variable interest rate	(1,298,647)	(25,973)	25,973
At 31 December 2017	Net amount in Euro	2%	-2%
Borrowings with variable interest rate	(1,338,000)	(26,760)	26,760

3.3 Credit risk

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

The Company has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. It also has policies that limit the amount of credit exposure to any counterparty. Credit terms to the foreign customers are secured with letter of credits that mature from 30 to 120 days.

The Company establishes a provision for impairment that represents its estimate of incurred losses in respect to the trade receivables, based entirely on specific and individual 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 summarized below:

	2018	2017
Classes of financial assets – carrying amounts (in Euro):		
Financial receivables	5,009,889	-
Cash and cash equivalents	21,925,941	5,999,684
Trade and other receivables	1,811,704	521,537
	28,747,534	6,521,221

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

The 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 Chinese customers at around 66% of sales (2017: Greek customers at around 51% of sales), the selected distributors are mostly export oriented, which minimizes the Chinese 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 2018 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 in 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 forecasting cash inflows and outflows due in day-to-day business. Liquidity needs are monitored in various time intervals. 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 the least. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

As at 31 December 2018 and 2017, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current 1 to 12 months (In Euro)	1 to 5 years (In Euro)	Non – current Later than 5 years (In Euro)
At 31 December 2018			
Interest – bearing borrowings	157,412	629,647	511,588
Trade and other payables	1,193,084	-	-
	1,350,496	629,647	511,588

	Current 1 to 12 months (In Euro)	1 to 5 years (In Euro)	Non – current Later than 5 years (In Euro)
At 31 December 2017			
Interest – bearing borrowings	41,587	629,647	669,000
Trade and other payables	1,453,308	-	-
	1,494,895	629,647	669,000

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

3.5 Capital risk management

The Company's objectives when managing capital are the following:

- To safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders
- 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. 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:

	2018 (In Euro)	2017 (In Euro)
Interest-bearing borrowings	1,298,647	1,340,234
Cash and cash equivalents	(26,935,830)	(5,999,684)
Net liabilities	(25,637,183)	(4,659,450)
Shareholders' equity	41,171,700	21,770,977
Gearing ratio	-	-

3.6 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. No financial instrument is presented at fair value as of 31 December 2018.

3.6.1 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:

	2018 (In Euro)	Carrying value 2017 (In Euro)	2018 (In Euro)	Fair value 2017 (In Euro)
Assets				
Trade and other receivables	1,811,704	521,537	1,811,704	521,537
Financial receivables	5,009,889	-	5,009,889	-
Cash and cash equivalents	21,925,941	5,999,684	21,925,941	5,999,684
Total assets	28,747,534	6,521,221	28,747,534	6,521,221
Liabilities				
Borrowings	1,298,647	1,340,234	1,298,647	1,340,234
Trade and other payables (without tax liabilities)	1,193,084	1,453,308	1,193,084	1,453,308
	2,491,731	2,793,542	2,491,731	2,793,542

Fair value estimation (continued)

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, the 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 on-going basis. Revisions to accounting estimates are recognized 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

The 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 behavior 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 amortized assets

The Management regularly reviews the useful lives of amortized 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 analyzed in Note 5 and 6. However, the factual results may differ due to technological obsolescence.

Inventories

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

5 Property, plant and equipment

	Land & Buildings	Machinery & equipment	Construction in progress	Total
01 January 2017				
Cost or valuation	5,445,298	20,833,175	110,906	26,389,379
Accumulated depreciation and impairment	(2,459,506)	(14,951,801)	-	(17,411,307)
Net carrying amount	2,985,792	5,881,374	110,906	8,978,072
Year ended 31 December 2017				
Opening net carrying amount	2,985,792	5,881,374	110,906	8,978,072
Translation differences	(760)	(998)	(155)	(1,913)
Additions, net of transfers from C.I.P.	28,041	1,732,422	(100,899)	1,659,564
Disposals-net	(960)	(40,822)	-	(41,782)
Depreciation charge for the year	(247,075)	(1,757,093)	-	(2,004,168)
Closing carrying amount	2,765,038	5,814,883	9,852	8,589,773
At 31 December 2017 / 01 January 2018				
Cost or valuation	5,466,986	21,362,469	9,852	26,839,307
Accumulated depreciation and impairment	(2,701,948)	(15,547,586)	-	(18,249,534)
Net carrying amount	2,765,038	5,814,883	9,852	8,589,773
Year ended 31 December 2018				
Opening net carrying amount	2,765,038	5,814,883	9,852	8,589,773
Translation differences	(175)	(235)	51	(359)
Additions, net of transfers from C.I.P.	342,863	2,736,591	196,071	3,275,525
Disposals-net	(8,828)	(350,336)	(1,484)	(360,648)
Transfers to inventory	-	(36,150)	-	(36,150)
Depreciation charge for the year	(264,059)	(1,691,884)	-	(1,955,943)
Closing carrying amount	2,834,839	6,472,869	204,490	9,512,198
At 31 December 2018				
Cost or valuation	5,773,641	20,417,701	204,490	26,395,832
Accumulated depreciation and impairment	(2,938,802)	(13,944,832)	-	(16,883,634)
Net carrying amount	2,834,839	6,472,869	204,490	9,512,198

Disposals

During year ended 31 December 2018, the Company has written off equipment, transportation vehicles and computer hardware with net carrying value of Euro 70,525 (31 December 2017: Euro 974) included in the administrative and selling expenses (see Note 18). Gain incurred from these transactions amounts to 27,701 Euros, included in other operating income (see Note 20).

Furthermore, during year ended 31 December 2018, the Company sold equipment with total net carrying value of Euro 317,824. Sale value of the part related to assets sold is Euro 118,397. Loss incurred from these transaction amounts to Euro 207,185, included in the administrative and selling expenses (see note 18). Gain incurred from these transactions amounts to 7,758 Euros, included in other operating income (see Note 20).

Construction in progress

As of 31 December 2018, the balance of construction in progress in the amount of Euro 204,490 (2017: Euro 9,852) consists of the cost of new facilities in the factory, namely a concrete base under a crane, water treatment system and new road. In addition, it includes also the purchase of a new bus and some major repairs of equipment.

Pledge over property, plant and equipment

As of 31 December 2018, 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 3,342,752 Euros (2017: 8,952,642 Euros) (see Note 26).

Property, plant and equipment (continued)

Vehicles under financial lease

As at 31 December 2018, the Company does not have assets under financial lease:

	2018	2017
Cost or valuation	-	23,989
Accumulated depreciation	-	(21,490)
Net carrying amount	-	2,499

6 Intangible assets

	Software	Trademarks	Exploration and evaluation assets	Intangibles in progress	Total
At 01 January 2017					
Cost or valuation	160,697	165,229	2,598,431	21,034	2,945,391
Accumulated amortization	(118,167)	(98,897)	(938,500)	-	(1,155,564)
Net carrying amount	42,530	66,332	1,659,931	21,034	1,789,827
Year ended 31 December 2017					
Opening net carrying amount	42,530	66,332	1,659,931	21,034	1,789,827
Translation differences	(33)	(26)	(260)	48	(271)
Additions, net of transfers from	14,609	14,910	275,611	36,262	341,392
Depreciation charge for the year	(33,136)	(25,653)	(278,817)	-	(337,606)
Closing carrying amount	23,970	55,563	1,656,465	57,344	1,793,342
At 31 December 2017 / 01 January 2018					
Cost or valuation	175,300	180,133	2,874,016	57,344	3,286,793
Accumulated amortization	(151,330)	(124,570)	(1,217,551)	-	(1,493,451)
Net carrying amount	23,970	55,563	1,656,465	57,344	1,793,342
Year ended 31 December 2018					
Opening net carrying amount	23,970	55,563	1,656,465	57,344	1,793,342
Translation differences	(4)	(3)	(194)	4	(197)
Additions, net of transfers from C.I.P.	1,452	27,379	-	33,042	61,873
Depreciation charge for the year	(11,005)	(26,280)	(295,270)	-	(332,555)
Closing carrying amount	14,413	56,659	1,361,001	90,390	1,522,463
At 31 December 2018					
Cost or valuation	176,740	207,507	2,873,815	90,390	3,348,452
Accumulated amortization	(162,327)	(150,848)	(1,512,814)	-	(1,825,989)
Net carrying amount	14,413	56,659	1,361,001	90,390	1,522,463

Exploration and evaluation assets

As of 31 December 2018 the balance of exploration and evaluation assets in amount of Euros 1,361,001 (31 December 2017: Euros 1,656,465) includes capitalized expenses related to quarry stripping activities with remaining amortization period for 12 years, geophysics research and quarry 10-year plan.

Intangibles in process of acquisition

As of 31 December 2018 the balance of intangibles in progress in the amount of Euros 90,390 (31 December 2017: Euro 57,344) relates mainly to migration to new version of ERP software and new corporate web site.

Allocation of depreciation and amortization charged

Out of the total depreciation and amortization for the year ended 31 December 2018 amounting Euro 2,288,498 (2017: Euro 2,341,774) disclosed in Note 23, Euro 2,185,816 (2017: Euro 2,223,861) has been charged in cost of sales and the remaining in the amount of Euro 102,682 (2017: Euro 117,913) into administrative and selling expenses (see Note 18)

7 Financial instruments by categories

Note 2.2 provides a description of impact of implementation of IFRS 9 related to financial assets and financial liabilities. The carrying amounts of the Company's financial assets and liabilities as recognized at the statement of financial position date may also be categorized as follows.

	2018	2017
Assets		
Assets carried at amortized cost		
Trade and other receivables	1,811,704	521,537
Financial receivables	5,009,889	-
Cash and cash equivalents	21,925,941	5,999,684
	28,747,534	6,521,221
Liabilities		
Other financial liabilities at amortized cost		
Borrowings	1,298,647	1,340,234
Trade and other payables	1,193,084	1,453,308
	2,491,731	2,793,542

8 Inventories

	2018	2017
Work in progress	2,776,848	3,011,123
Finished products	961,182	1,272,546
Spare parts	859,197	818,031
Raw materials	158,501	139,258
Trade goods	73,519	107,428
Other	25,394	18,552
	4,854,641	5,366,938

During 2018, the Company recognized expense for wastage, failure and fracture in the amount of Euro 86,709 (2017: Euro 222,012) and stock count shortages in the amount of Euro 17,232 (2017: 23,709) accounted for administrative and selling expenses (see Note 18).

Furthermore, as at 31 December 2018 the Company has assessed the net realizable value of the inventories and has decreased its value in total amount of Euro 382,385 (2017: Euro 199,650) (Note 23). The amount of Euro 0 (2017: Euro 0) has been charged in cost of sales (see Note 17) and the remaining, amounting Euro 382,385 (2017: Euro 199,650) into administrative and selling expenses (see Note 18).

Cost of raw materials, spare parts and other materials included in the cost of sale for the year ended 31 December 2018 amounts to Euro 3,615,657 (2017: Euro 3,576,024).

9 Trade and other receivables

	2018	2017
Current trade receivables		
Local debtors	165,715	19,151
Foreign debtors	1,675,895	543,443
Related parties' receivables (Note 24)	15,387	-
	1,856,997	562,594
Less: impairment provision	(64,173)	(65,624)
	1,792,824	496,970
Prepayments		
Advances to suppliers	151,360	256,874
Prepaid VAT	137,970	100,534
Deferred expenses	36,978	14,591
Advance dividend (Note 12)	-	3,421,924
Other current receivables	18,880	24,567
	345,188	3,818,490
Trade and other receivables, net	2,138,012	4,315,460

Trade and other receivables (continued)

At 31 December 2018 the credit quality of Company's trade receivables and advances to suppliers can be analyzed as follows:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cost	853,045	939,776	64,173	1,856,994
Less: Impairment provision	-	-	(64,173)	(64,173)
	853,045	939,776	-	1,792,821

At 31 December 2017 the credit quality of Company's trade receivables and advances to suppliers can be analyzed as follows:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cost	480,051	16,916	65,624	562,592
Less: Impairment provision	-	-	(65,624)	(65,624)
	480,051	16,916	-	496,968

At 31 December 2018 the age structure of past due not impaired trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	Foreign trade receivables	Total
Overdue up to 1 year	127,513	812,263	939,776
Overdue more than 1 year	-	-	-
	127,513	812,263	939,776

At 31 December 2017 the age structure of past due not impaired trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	Foreign trade receivables	Total
Overdue up to 1 year	-	16,916	16,916
Overdue more than 1 year	-	-	-
	-	16,916	16,916

The following table presents the movement of impairment provision account for the years ended 31 December 2018 and 2017:

	2018	2017
At 01 January	65,624	67,798
Collected fully provided bad debts (Note 20)	(1,045)	(128)
Write off of previously impaired receivables	(746)	(2,931)
Impairment provision (Note 18)	341	888
Translation differences	(1)	(3)
At 31 December	64,173	65,624

As at 31 December 2018, based on the assessment of collection of receivables, the Company wrote off fully non-collectible trade receivables in its current profit and loss in the amount of Euro 144 (2017: Euro 114) (See note 18).

10 Financial receivables

	2018	2017
Short-term deposits in local banks	5,009,889	-
	5,009,889	-

	2018	2017
Bank accounts	21,924,404	5,998,196
Cash on hand	1,537	1,488
	21,925,941	5,999,684

12 Equity

Shares issued

	Number of shares	Ordinary shares (Euros)	Share premium (Euros)	Amount (in Euros) Total (Euros)
<i>Authorized, issued and fully paid ordinary shares 1 Euro at par</i>				
At 01 January 2018	4,686,858	4,686,858	-	4,686,858
At 31 December 2018	4,686,858	4,686,858	-	4,686,858

	Number of shares	Ordinary shares (Euros)	Share premium (Euros)	Amount (in Euros) Total (Euros)
<i>Authorized, issued and fully paid ordinary shares 1 Euro at par</i>				
At 01 January 2017	4,686,858	4,686,858	4,135,552	8,822,410
Transfer of share premium in reserves	-	-	(4,135,552)	(4,135,552)
At 31 December 2017	4,686,858	4,686,858	-	4,686,858

The structure of share capital at 31 December 2018 and 2017 is as follows (amounts in Euro):

	Number of shares	Amount in Euros	%
Stone Works Holding Coöperatief U.A Netherlands	4,143,357	4,183,021	89.25
Piraeus Bank S.A. ¹	468,700	468,700	10.00
Other –minority	74,801	35,137	0.75
	4,686,858	4,686,858	100.00

All shares issued are fully paid. Holders of ordinary shares are entitled to vote right in the Assembly of the Company, entitled to payment of part of profit, and right to payment of rest of the liquidation or bankruptcy estate of the Company.

Other components of equity

	Translation reserve	Statutory reserves	Revaluation reserve	Total
At 1 January 2018	26,711	4,756,945	1,356,034	6,139,690
Allocation of profit to reinvested earnings	-	7,184,580	-	7,184,580
Transfer of revaluation reserves on disposed plant and equipment	-	-	(102,344)	(102,344)
Translation differences	4,177	-	-	4,177
At 31 December 2018	30,888	11,941,525	1,253,690	13,226,103
At 1 January 2017	16,492	621,393	1,361,895	1,999,780
Transfer of share premium in reserves	-	4,135,552	-	4,135,552
Transfer of revaluation reserves on disposed plant and equipment	-	-	(5,861)	(5,861)
Translation differences	10,219	-	-	10,219
At 31 December 2017	26,711	4,756,945	1,356,034	6,139,690

¹In its capacity of the issuer of the ELPIS certificates

Equity (continued)

Revaluation reserve

Revaluation surplus, which at 31 December 2018 amounts 1,253,690 Euros (31 December 2017: 1,356,034 Euros) was initially created during 2002, based upon the independent valuation of groups of the Company's property, plant and equipment. Subsequent changes (transfers into retained earnings) relate to surpluses of the assets sold or disposed of.

Statutory reserves

Reserves, which at 31 December 2018 amount to 11,941,525 Euros (31 December 2017: 4,756,945 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, minimum 5% (2012: 15%) from its annual net income after tax, until the level of such reserves reach 10% of the registered capital.

At 24 April 2017 and according to the Shareholders' Extraordinary Assembly decision no. 02-2223/3, the premiums on issued shares of the Company, in the amount of 4,135,552 Euros were transferred in the special reserves for increasing the basic capital of the Company.

At 05 June 2018 and according to the Shareholders' Annual Assembly decision no. 02-3016/13, part of the profit for the year 2017, in the amount of 7,184,580 Euros was allocated to Reinvested earnings for financing the investment program of the Company.

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

Dividends

At 05 June 2018 and according to the Shareholders' Annual Assembly decision no. 02-3016/13, part of the profit of the Company for the year 2017 in the amount of 3,421,406 Euros were allocated for dividends distribution. The amount for dividend on ordinary shares has already been distributed as pre-dividend according to the decision of the Board of Directors of 11 August 2017.

13 Borrowings

	2018	2017
<u>Long – term interest bearing borrowings from banks</u>		
Komercijalna Banka ad, Skopje (original amount: Euro 1,338,000; interest rate 6m.Euribor+3.8%)	1,298,647	1,338,000
	1,298,647	1,338,000
<u>Less: current maturity of long term borrowings</u>	(157,412)	(39,353)
Total long – term borrowings	1,141,235	1,298,647
<u>Short – term interest bearing borrowings from banks</u>		
Komercijalna Banka ad, Skopje, other short term liabilities	-	-
<u>Finance lease liabilities</u>	-	2,234
	-	2,234
<u>Add: current maturity of long term borrowings</u>	157,412	39,353
Total short-term borrowings	157,412	41,587
Total debt	1,298,647	1,340,234

Loans from financial institutions are secured by mortgage over part of the Company's properties (see also Note 26).

Total loans and finance lease additions during the year ended 31 December 2018 amounts to 0 Euros (2017: 4,293,676 Euros). Total loan repaid during the same period amounts to 41,587 Euros (2017: 6,664,068 Euros).

The long-term borrowings repayments schedule is as follows:

	2018	2017
Due within 12 months	157,412	39,353
Due within 1 – 2 years	157,412	157,412
Due within 2 – 5 years	472,235	472,235
Due in over 5 years	511,588	669,000
	1,298,647	1,338,000

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

	2018	2017
Present value of payment:		
Due within 1 year	-	2,234
Due between 1 – 5 years	-	-
Due over 5 years	-	-
	-	2,234

14 Trade and other payables

	2018	2017
Trade creditors		
Local suppliers	743,432	734,826
Foreign suppliers	98,646	58,563
Related parties' payables (see Note 24)	-	339,576
	842,078	1,132,965
Other current liabilities		
Liabilities to employees and management	346,814	605,347
Customers' prepayments	59,780	313,841
Dividends payables (net of local taxes)	2,164	2,791
Interest payable	2,028	2,168
Other	-	1,543
	410,786	925,690
Total trade and other payables	1,252,864	2,058,655

15 Tax payables

	2018	2017
Concession fees and other levies	112,845	106,751
Personal income tax liabilities	927	774
Withholding tax	-	751
	113,772	108,276

16 Sales

	2018	2017
Local market	477,603	764,016
Foreign markets:		
- China ²	26,291,892	8,939,545
- Greece	9,859,502	11,552,160
- Italy	2,111,197	2,162,541
- Balkan region	243,106	299,155
- Other markets	957,503	2,423,293
Subtotal sales on foreign markets	39,463,200	25,376,694
Total sales	39,940,803	26,140,710

² Includes China and Hong Kong

17 Cost of sales

	2018	2017
Stock of finished products and W.I.P. at 01 January	4,283,669	5,291,469
Plus: Total production cost for the year ended 31 December	11,453,361	10,317,670
Plus: Income from value adjustment of previously written-off inventory (Note 23)	43,399	214,356
Plus: Cost of various material sold	80,188	6,010
Use of own products	(97,168)	(22,355)
Wastage, failure and fracture of products (excluding VAT effect)	(46,595)	(163,565)
Shortages (excluding VAT effect)	(14,603)	(20,092)
Less: Value adjustment of inventories (Note 8)	(382,385)	(199,650)
Less: Income from released value adjustment of inventories sold	(43,399)	(214,356)
Less: Stock of finished products and W.I.P. at 31 December	(3,738,030)	(4,283,669)
Cost of sales	11,538,437	10,925,818

18 Administrative and selling expenses

	Year ended 31 December 2018		Year ended 31 December 2017	
	Administrative	Selling	Administrative	Selling
Staff costs (Note 19)	825,589	91,347	978,440	119,405
Marketing and promotion	147,546	105,392	132,843	146,494
Professional advisory services	98,314	-	672,431	-
Services	67,794	900,686	61,936	134,056
Depreciation and amortization (Note 6)	62,789	39,893	83,366	34,547
Materials, supplies and utilities	36,774	3,602	31,676	8,317
Expenses for operating lease	22,619	-	23,139	6,646
Taxes and other levies	17,823	4,699	20,147	14,262
Value adjustment of inventories (Note 8)	-	382,385	721	198,929
Present value of assets sold -written off (Note 5)	-	277,710	345	2,764
Wastage, failure and fracture (Note 8)	-	86,709	-	222,012
Shortages (Note 8)	-	17,232	-	23,709
Impairment and write off receivables (Note 9)	-	485	-	1,002
Other expenses and provisions	198,560	43,690	196,163	74,509
	1,477,808	1,953,830	2,201,207	986,652

19 Staff costs

	2018	2017
Net salaries	2,656,048	2,674,687
Personal tax and mandatory contributions	1,256,316	1,141,662
Business trips	8,863	7,630
Other allowances	707,127	434,016
	4,628,354	4,257,995

Out of the total staff costs for the year ended 31 December 2018 amounting Euro 4,628,354 (2017: 4,257,995), Euro 3,711,418 (2017: Euro 3,160,150) has been charged in cost of sales and the remaining in the amount of Euro 916,936 (2017: Euro 1,097,845) into administrative and selling expenses (see Note 18).

20 Other operating income

	2018	2017
Income from re-invoicing of transport cost and other services	151,173	1,141,699
Less: Cost associated with the above services	(148,834)	(1,105,723)
Raw materials sold	74,022	8,564
Gain on property, plant and equipment sold (Note 5)	35,459	29,862
Reimbursement of participation in trade fair	24,892	-
Returned VAT from representative office in Athens	10,853	
Payables write offs and stock count surplus	3,843	7,625
Collected fully provided bad debts	1,045	128
Liabilities for dividends written off	695	1,038
Income from rents	366	6,026
Income from court verdicts	-	58,654
Other income	10,254	6,011
	163,768	153,884

21 Finance income and costs

	2018	2017
Finance income		
Interest income	17,095	3,831
Foreign exchange gains	104,793	270,349
	121,888	274,180
Finance (costs)		
Interest (expense)	(50,655)	(211,685)
Bank (charges)	(40,534)	(87,667)
Foreign exchange (losses)	(119,979)	(305,304)
	(211,168)	(604,656)
Finance (costs), net	(89,280)	(330,476)

22 Income tax expense

The charge for the year can be reconciled to the profit per Statement of comprehensive income for 2018 and 2017 as follows:

	2018	2017
Profit before income tax	25,045,216	11,850,441
Non – deductible expenses	854,937	844,516
Tax basis deductions	(3,077,640)	(712)
Translation differences	22	-
At 31 December – Taxable profit	22,822,535	12,694,245
Current tax charge at rate of 10%	2,282,254	1,269,425
Income tax reduction	(54,990)	(24,970)
Income tax (expense)	2,227,264	1,244,455
Effective tax rate	8.89%	10.50%

23 Expenses by nature

	2018	2017
Staff costs (Note 19)	4,628,354	4,257,995
Depreciation and amortization (Note 6)	2,288,498	2,341,774
Services	2,145,602	1,022,990
Energy and water	2,087,572	1,411,713
Consumed materials, spare parts and small inventory	1,752,437	2,183,710
Value adjustment of inventories	382,385	199,650
Present value of assets written off (Note 5)	277,710	41,782
Marketing and promotion	252,938	279,337
Other expenses and provisions	242,250	270,672
Professional advisory services	98,314	672,431
Taxes and other contributions	94,431	97,532
Wastage, failure and fracture (Note 8)	86,709	222,012
Expenses for operating leasing	24,858	29,785
Representation	21,202	24,273
Shortages (Note 8)	17,232	23,709
Transport costs	15,507	20,539
Insurance	7,952	4,971
Write off of receivables (Note 9)	485	1,002
	14,424,436	13,105,877
Changes of stock of work in progress and finished products	545,639	1,007,800
	14,970,075	14,113,677

*Valuation allowance of inventories in the amount of Euro 382,385 (2017: Euro 199,650) represents net amount of recognized expenses of Euro 397,793 (2017: Euro 199,650) (Note 8), decreased for income from value adjustment of previously written-off inventory in the amount of Euro 15,408 (2017: Euro 0) (see Note 17).

24 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 2018 and 2017:

31 December 2018	Cash	Receivables	Payables	Revenues	Expenses
Stone Works Holding Coöperatief U.A Netherlands	-	-	-	-	-
Pavlidis S.A Marble-Granite Drama Greece	-	15,387	-	4,576,425	80,054
Key management remuneration	-	-	-	-	340,819
	-	15,387	-	4,576,425	420,873

31 December 2017	Cash	Receivables	Payables	Revenues	Expenses
Stone Works Holding Coöperatief U.A Netherlands	-	-	-	-	-
Stage Capital Management Ltd, United Kingdom	-	-	-	-	42,118
Pavlidis S.A Marble-Granite Drama Greece ³	-	-	339,576	1,202,991	-
Key management remuneration	-	-	-	-	619,377
	-	-	339,576	1,202,991	661,495

³ Pavlidis S.A Marble-Granite Drama Greece became related party since 05.09.2017. The figures in this table correspond to the period from 05.09.2017 to 31.12.2017

25 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.

	2018	2017
Profit attributable to equity holders of the Company	22,817,952	10,605,986
Weighted average number of ordinary shares (Note 12)	4,686,858	4,686,858
Basic earnings per share (Euros per share)	4.87	2.26

26 Contingent liabilities

Mortgages

Mortgages provided with appraised value are as follows:

	2018	2017
Business premises	2,378,952	2,670,452
Machinery & equipment	963,800	6,282,190
	3,342,752	8,952,642

Mortgages provided with present value are as follows:

	2018	2017
Business premises	1,327,369	1,488,854
Machinery & equipment	988,100	4,146,499
	2,315,469	5,635,353

Guarantees

Guarantees provided is as follows:

	2018	2017
Issued by Komercijalna Banka AD Skopje	62,398	-
	62,398	-

The beneficiaries of the guarantees are Company's suppliers. The guarantees serve as security that the Company will pay its liabilities on time towards the beneficiaries.

Litigations

At 31 December 2018, the estimated Euro equivalent of the legal proceedings raised against the Company amounts Euro 41,365 (2017: Euro 42,261). 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 December 2018 the Company was subject of following tax inspections by tax authorities:

- for VAT until 30 June 2009;
- for Personal Income tax for period from 1 January 2007 until 31 December 2008;
- for Corporate Income tax for period from 1 January 2007 until 31 December 2012;
- 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's accounting records, 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.

27 Commitments

Operating lease liabilities

As of 31 December 2018 and 2017 the operating lease liabilities relates to lease of vehicles. Repayment schedule of operating lease liabilities is as follows:

	2018	2017
Operating lease liabilities		
Present value of payment:		
Due within 1 year	20,913	15,893
Due between 1 – 5 years	53,106	-
	74,019	15,893

During 2018, the entity has recognized expenses for operating lease in the amount of Euro 24,858 (2017: Euro 29,785) (Note 23).

28 Concession agreements

During 2000 and 2001, the Company and the Ministry of Economy of the Republic of North 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, renewable at expiration for another 30 year period.

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 RNM 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 other than blocks and tombolons, that is crashed or milled 0,325 Euros/t.

29 Information on operating segments

As of 31 December 2018 and 2017, the Company is organized into the following operating segments:

- a. quarry;
- b. factory.

Operating results per segments for the years ended 31 December 2018 and 2017, are as follows:

	Quarry	Factory	Total
Year ended 31 December 2018			
Sales	35,483,613	4,457,190	39,940,803
Profit from operating activities	23,604,480	1,530,016	25,134,496
Financial result, net			(89,280)
Profit before income tax			25,045,216
Income tax expense			(2,227,264)
Profit for the year			22,817,952
Other comprehensive income			4,177
Total comprehensive income for the year			22,822,129
Year ended 31 December 2017			
Sales	22,061,606	4,079,104	26,140,710
Profit from operating activities	11,289,262	891,655	12,180,917
Financial result, net			(330,476)
Profit before income tax			11,850,441
Income tax expense			(1,244,455)
Profit for the year			10,605,986
Other comprehensive income			10,219
Total comprehensive income for the year			10,616,205

Segment assets and liabilities as of 31 December 2018 and 2017 are as follows:

	Quarry	Factory	Total
31 December 2018			
Total assets	37,973,074	6,990,070	44,963,144
Liabilities	3,513,261	278,183	3,791,444
Capital expenditures	2,564,845	772,553	3,337,398
31 December 2017			
Total assets	20,030,114	6,035,083	26,065,197
Liabilities	3,833,268	460,952	4,294,220
Capital expenditures	1,978,495	22,461	2,000,956

Sales per geographical regions are as follows:

	2018	2017
North Macedonia	477,603	764,016
China ⁴	26,291,892	8,939,545
Greece	9,859,502	11,552,160
Italy	2,111,197	2,162,541
Balkan region	243,106	299,155
Other markets	957,503	2,423,293
	39,940,803	26,140,710

During 2018, Euro 14,337,949 or 35.9% (2017: Euro 9,848,247 or 37.7%) of the Company's revenues depended on a three single customers, one from China and two from Greece, which individually represents more than 10% of revenues (2017: three single customers from Greece).

⁴ Includes China and Hong Kong

30 Events after the reporting date

After 31 December 2018 to the reporting date until the approval of this Financial Statements, there are no adjusting events reflected in the financial statements. The following event is materially significant for disclosure in these financial statements:

Mr. Perikles Nicolaou, the member of the Board of Directors and CEO of the Company, resigned for personal reasons effective 30/01/2019 as the date of termination of his mandate as well as his work relation with the Company.

On 15/02/2019 the Company announced a call for Assembly of the shareholders on 19/03/2019 with only point on the agenda the election of new member of the Board of Directors.