

Financial statements and Independent Auditors' Report

Mermeren Kombinat AD, Prilep

31 December 2013

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Independent Auditors' Report

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To the Management and Shareholders of
Mermeren Kombinat AD, Prilep

We have audited the accompanying financial statements of Mermeren Kombinat AD, Prilep ("the Company") which comprise the Statement of financial position as at 31 December 2013, and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 3 to 43.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

We draw attention to the following:

As it is disclosed in Note 2.1 to the accompanying financial statements, the Company has made retrospective restatement of the comparative information as of and for the year ended 31 December 2012. The retrospective restatement has been made on the basis of the review performed by the local tax authorities for the financial periods from 2009 until 2011. Furthermore and following the requirements of IAS 1, additional statement of financial position as of 01 January 2012 has been presented. Details of the effects of retrospective restatement are disclosed in Note 2.24.

Our opinion is not modified for the above matter.

Skopje,
28 February 2014

Grant Thornton

Ruza Filipceva
Director

Marjan Andonov
Certified Auditor



Statement of financial position

		(Amounts in Euro)		
	Note	31 December 2013	31 December 2012 (Restated)	01 January 2012 (Restated)
Assets				
Non-current assets				
Property, plant and equipment	5	12,938,540	13,077,082	13,204,427
Intangible assets	6	2,377,873	2,245,548	348,713
		15,316,413	15,322,630	13,553,140
Current assets				
Inventories	8	5,536,020	6,327,667	6,039,688
Trade and other receivables	9	3,822,046	4,735,699	5,805,759
Other short term financial assets	10	-	85	94
Cash and cash equivalents	11	1,290,427	1,252,221	717,267
		10,648,493	12,315,672	12,562,808
Total assets		25,964,906	27,638,302	26,115,948
Equity				
Shareholders' equity				
Share capital	12	8,845,171	8,845,171	8,845,171
Other components of equity	12	2,585,268	2,588,292	4,266,680
Retained earnings		5,315,109	4,354,531	5,061,509
Total shareholders' equity		16,745,548	15,787,994	18,173,360
Liabilities				
Non – current liabilities				
Borrowings	13	4,432,079	5,255,562	1,750,027
		4,432,079	5,255,562	1,750,027
Current liabilities				
Borrowings	13	1,689,305	2,960,780	1,869,347
Trade and other payables	14	3,003,003	3,444,308	3,446,513
Tax payables	15	94,971	189,658	876,701
		4,787,279	6,594,746	6,192,561
Total liabilities		9,219,358	11,850,308	7,942,588
Total liabilities and shareholders' equity		25,964,906	27,638,302	26,115,948

These financial statements have been approved by the Board of Directors on 27 February 2014 and signed on its behalf by,



Mr. Theodoros Malfas
Chairman



Mr. Ilias Rigopoulos
Chief Executive Officer

Statement of comprehensive income

	Note	(Amounts in Euro)	
		Year ended 31 December 2013	2012 (Restated)
Sales	16	16,814,773	13,269,558
Cost of sales	17	(8,347,865)	(7,156,540)
Gross profit		8,466,908	6,113,018
Administrative and selling expenses	18	(7,611,651)	(4,458,878)
Other operating expenses	20	(163,032)	-
Other operating income	21	683,193	687,489
Operating profit		1,375,418	2,341,629
Finance income	22	170,849	132,611
Finance (costs)	22	(585,724)	(669,607)
Finance (costs), net		(414,875)	(536,996)
Profit before income tax		960,543	1,804,633
Income tax expense	23	-	-
Profit for the year		960,543	1,804,633
Other comprehensive income for the year			
Items that will be reclassified subsequently to profit or loss			
Translation differences		(2,989)	1,393
Other comprehensive income for the year		(2,989)	1,393
Total comprehensive income for the year		957,554	1,806,026
Profit attributable to the holders of ordinary shares		960,543	1,804,633
Total comprehensive income attributable to the holders of ordinary shares		957,554	1,806,026
Earnings per share (expressed in Euros per share)	25		
Basic earnings per share			
- Earnings from continuing operations		0,20	0,39
- Earnings from discontinuing operations		-	-
Total		0,20	0,39
Diluted earnings per share			
- Earnings from continuing operations		0,20	0,39
- Earnings from discontinuing operations		-	-
Total		0,20	0,39

Statement of changes in equity

	(Amounts in Euro)			
	Share capital	Other components of equity	Retained earnings	Total
At 01 January 2013 (restated)	8,845,171	2,588,292	4,354,531	15,787,994
Dividends declared	-	-	-	-
Total transactions with owners	-	-	-	-
Profit for the year	-	-	960,543	960,543
<i>Other comprehensive income:</i>				
Translation differences	-	(3,024)	35	(2,989)
Total other comprehensive income	-	(3,024)	35	(2,989)
Total comprehensive income	-	(3,024)	960,578	957,554
At 31 December 2013	8,845,171	2,585,268	5,315,109	16,745,548
At 01 January 2012 as previously reported	8,845,171	9,101,005	191,389	18,137,565
Corrections (Note 2.24)	-	(4,794,161)	4,829,956	35,795
Reallocation of translation differences	-	(40,164)	40,164	-
At 01 January 2012 (restated)	8,845,171	4,266,680	5,061,509	18,173,360
Dividends declared	-	(1,688,580)	(2,502,812)	(4,191,392)
Transactions with owners	-	(1,688,580)	(2,502,812)	(4,191,392)
Profit for the year (restated)	-	-	1,804,633	1,804,633
<i>Other comprehensive income:</i>				
Translation differences	-	10,192	(8,799)	1,393
Total other comprehensive income	-	10,192	(8,799)	1,393
Total comprehensive income	-	10,192	1,795,834	1,806,026
At 31 December 2012 (restated)	8,845,171	2,588,292	4,354,531	15,787,994

Statement of cash flows

	Note	(Amounts in Euro) 31 December 2013	2012 (Restated)
Operating			
Net profit before income tax		960,543	1,804,633
<u>Adjusted for:</u>			
Depreciation and amortization	5,6	2,431,834	1,035,975
Direct write off of receivables	18	117,426	297,861
Shortages	18	-	2,932
Wastage, failure and fracture	18	8,152	136,614
Write off of obsolete inventories	18	-	118,413
Impairment of inventories	18	1,324,647	-
Income from released value adjustment of inventories sold	21	(298,861)	(552,620)
Impairment of property, plant and equipment	18	239,429	-
Net carrying amount of equipment written off	18	24,785	510
Loss from sale of government bonds	18	3	-
(Gain) on property, plant and equipments sold	21	(2,222)	-
Payables written off	21	(10,854)	(852)
Gains from previously impaired receivables	21	(143,286)	-
Stock count surplus	21	-	(727)
Interest expenses, net	22	323,324	418,939
Operating profit before working capital changes		4,974,920	3,261,678
<u>Changes in working capital:</u>			
Inventories		(242,291)	7,602
Trade and other receivables		1,023,568	564,487
Trade and other payables		(440,755)	303,061
Cash from operations		5,315,442	4,136,828
Interest paid		(448,027)	(450,005)
Income tax paid		(74,292)	(1,011,440)
Cash flows from operating activities, net		4,793,123	2,675,383
Investing			
Purchase of property, plant and equipment, net of proceeds from sales		(2,449,492)	(823,690)
Purchase of intangible assets, net of proceeds from sales		(250,274)	(1,981,274)
Proceeds from investments in government bonds, net		82	9
Interest received		30,786	49,847
Cash flows used in investing activities, net		(2,668,898)	(2,755,108)
Financing			
(Repayment of borrowings) / proceeds from borrowings, net		(2,094,958)	4,596,968
Dividends paid		-	(3,983,134)
Cash flows (used in) / from financing activities, net		(2,094,958)	613,834
Translation differences		8,939	845
Net change in cash and cash equivalents		38,206	534,954
Cash and cash equivalents at beginning	11	1,252,221	717,267
Cash and cash equivalents at end	11	1,290,427	1,252,221

Notes to the financial statements

1 General

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

On 10 April 2009 Stone Works Holdings Cooperatief U.A., a corporation incorporated in the Netherlands, owned by private equity funds managed by NBGI Private Equity, acquired 88.4% of the Company’s shares.

The Company shares are listed on the Macedonian Stock Exchange and the Athens Stock Exchange via the ELPIS (Greek depository receipts) status.

The Company’s main business activities include mining, processing and distribution of marble and decorative stones. The Company operates in local and foreign markets and at 31 December 2013 employs 356 persons (2012: 383 persons).

2 Accounting policies

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

2.1 Basis of preparation

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

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

The financial statements have been prepared as of and for the years ended 31 December 2013 and 2012. Current and comparative data stated in these financial statements are expressed in Euros, unless otherwise stated.

Notes to the financial statements (continued)
Accounting policies (continued)

Comparative information presented in these financial statements as of and for the year ended 31 December 2012 is restated. The retrospective restatement, following the requirements of IAS 8 “Accounting policies, changes in accounting estimates and errors”, has been made on the basis of the review performed by the local tax authorities for the financial periods from 2009 until 2011.

Furthermore, according to the requirements of IAS 1, additional statement of financial position as of 01 January 2012 has been presented. IAS 1.10(f) and IAS 1.40A require an entity to present a statement of financial position as at the beginning of the preceding period (eg a third statement of financial position) if (i) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in the financial statements and (ii) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

Details of the effects of retrospective restatement are disclosed in Note 2.24.

2.2 Changes in accounting policies

a) New and revised standards effective for annual periods beginning on or after 1 January 2013

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below.

IFRS 10 ‘Consolidated Financial Statements’ (IFRS 10)

IFRS 10 supersedes IAS 27 ‘Consolidated and Separate Financial Statements’ (IAS 27) and SIC 12 ‘Consolidation-Special Purpose Entities’. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Company’s investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Company’s investees held during the period or comparative periods covered by these financial statements.

IFRS 11 ‘Joint Arrangements’ (IFRS 11)

IFRS 11 supersedes IAS 31 ‘Interests in Joint Ventures’ (IAS 31) and SIC 13 ‘Jointly Controlled Entities- Non-Monetary-Contributions by Venturers’. IFRS 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor’s rights and obligations relating to the arrangement. In addition, IAS 31’s option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. IFRS 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

The application of IFRS 11 does not materially impact Company’s financial statements.

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

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

The application of IFRS 12 does not materially impact Company’s financial statements.

Notes to the financial statements (continued)
Accounting policies (continued)

Changes in accounting policies (continued)

Consequential amendments to IAS 27 ‘Separate Financial Statements’ (IAS 27) and IAS 28 ‘Investments in Associates and Joint Ventures’ (IAS 28)

IAS 27 now only addresses separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28’s equity accounting methodology remains unchanged.

IFRS 13 ‘Fair Value Measurement’ (IFRS 13)

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances.

IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application. The Company has however included as comparative information the IFRS 13 disclosures that were required previously by IFRS 7 ‘Financial Instruments: Disclosures’.

The Company has applied IFRS 13 for the first time in the current year.

Amendments to IAS 19 ‘Employee Benefits’ (IAS 19)

The amendments to IAS 19 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- eliminate the ‘corridor method’ and requires the recognition of remeasurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income
- change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability
- enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

The application of amendments to IAS 19 does not materially impact Company’s financial statements.

Amendment to IFRS 7, ‘Financial instruments: Disclosures’, on asset and liability offsetting.

This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. The application of this amendment does not materially impact Company’s financial statements.

Annual Improvements 2009-2011 (the Annual Improvements)

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

Notes to the financial statements (continued)
Accounting policies (continued)

Changes in accounting policies (continued)

Clarification of the requirements for opening statement of financial position:

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

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

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

Tax effect of distribution to holders of equity instruments:

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

Segment information for total assets and liabilities:

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

The Annual Improvements noted above are effective for annual periods beginning on or after 1 January 2013. Management does not anticipate significant effects from these Amendments to the financial statements of the Company.

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

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

Notes to the financial statements (continued)
Accounting policies (continued)

Changes in accounting policies (continued)

IFRS 9 ‘Financial Instruments’ (IFRS 9)

The IASB aims to replace IAS 39 ‘Financial Instruments: Recognition and Measurement’ (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. Chapters dealing with impairment methodology are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9’s financial asset classification model to address application issues. The Company’s management has yet to assess the impact of this new standard on the Company’s financial statements. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

2.3 Foreign currency translation

Functional and presentation currency

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

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- Resulting exchange differences are recognised in other comprehensive income.

Transactions and balances

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

	31 December 2013	31 December 2012	01 January 2012
1 USD	44,6284 Denars	46.6510 Denars	47.5346 Denars
1 EUR	61.5113 Denars	61.5000 Denars	61.5050 Denars
Average EUR	61.5057 Denars	61.5025 Denars	61.5050 Denars

2.4 Property, plant and equipment

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

Notes to the financial statements (continued)
Accounting policies (continued)

Property, plant and equipment (continued)

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

The estimated useful lives are as follows:

	2013	2012
Buildings & Foundation	20 years	40 years
Machines	4-10 years	10-20 years
Equipment	4-10 years	4-20 years
Transport & furniture	4-5 years	4-20 years

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

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

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

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

2.5 Intangible assets

Research and development costs

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

Notes to the financial statements (continued)
Accounting policies (continued)

Intangible assets (continued)

Stripping costs

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

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

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

Other intangible assets

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

2.6 Impairment of non – financial assets

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

2.7 Financial assets

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

Financial assets at fair value through profit or loss

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

Notes to the financial statements (continued)
Accounting policies (continued)

Financial assets (continued)

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

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

Financial assets held to maturity

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

Loans and receivables

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position date. The Company has no assets classified under this category.

Recognition and measurement of financial assets

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

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

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

Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the statement of comprehensive income within ‘other (losses)/gains – net’ in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss as part of other income when the Company’s right to receive payments is established.

Notes to the financial statements (continued)
Accounting policies (continued)

Financial assets (continued)

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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

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

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

Impairment of financial assets

a. Assets carried at amortised cost

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Notes to the financial statements (continued)
Accounting policies (continued)

Financial assets (continued)

b. Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

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

2.8 Offsetting financial instruments

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

2.9 Inventories

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

2.10 Trade and other receivables

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

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

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

Notes to the financial statements (continued)
Accounting policies (continued)

Trade and other receivables (continued)

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

2.11 Cash and cash equivalents

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

2.12 Share capital, reserves, retained earnings and dividends

(a) Share capital

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

(b) Reserves

Legal reserves are created during the periods by distribution of retained earnings based on the legislation and decisions of the Management of the Company. Revaluation reserves consist of effects from revaluation of property, plant and equipment.

(c) Retained earnings

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

(d) Dividends

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

2.13 Trade payables

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

2.14 Borrowings

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

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

Notes to the financial statements (continued)
Accounting policies (continued)

Borrowings (continued)

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

2.15 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

2.16 Current and deferred tax expense

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

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 2013 and 2012, as there are no temporary differences existing at that date.

2.17 Employee benefits

Pension obligations

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

Short – term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Notes to the financial statements (continued)
Accounting policies (continued)

Employee benefits (continued)

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

Post – retirement obligations

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

2.18 Value-added tax

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

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

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

2.19 Provisions

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

2.20 Revenue recognition

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

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

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

Notes to the financial statements (continued)
Accounting policies (continued)

Revenue recognition (continued)

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

Sales of goods – wholesale

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

Sales of services

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

Interest income

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

2.21 Commitments and contingencies

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

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

2.22 Related party transactions

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

2.23 Segment reporting

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

Notes to the financial statements (continued)
Accounting policies (continued)

2.24 Effect of retrospective restatements

Following tables disclose the impact of retrospective restatements in the Company's statements of financial position as of 01 January 2012 and 31 December 2012, as well as the statement of comprehensive income and cash flows for the year ended 31 December 2012:

Impact on assets, liabilities and equity as of 01 January 2012

	Note	At 01 January 2012 as previously reported	Adjustment	At 01 January 2012 restated
Trade and other receivables	1	5,749,035	56,724	5,805,759
Tax payables	2	(855,772)	(20,929)	(876,701)
Total effect on net assets		4,893,263	35,795	4,929,058
Reserves	3	(7,528,471)	4,794,161	(2,734,310)
Retained earnings	4	(191,389)	(4,870,120)	(5,061,509)
Translation differences	5	10,042	40,164	50,206
Total effect on equity		(7,709,818)	35,795	(7,745,613)

Explanatory notes:

N.1: Corrections impairment of A/R from 2009	(180,412)
N.1: Corrections impairment of A/R from 2011	(28,882)
N.1: Corrections profit tax of prepayments on div.	266,018
N.2: Corrections liability for profit tax for impairment of receivables form 2009-2011	(20,929)
	35,795
N.3: Corrections Recovery of accum. losses	2,399,868
N.3: Corrections Reallocation for payment of dividends in 2010	2,394,293
N.4: Corrections Recovery of accum. losses	(2,399,868)
N.4: Corrections Reallocation for payment of dividends in 2010	(2,394,293)
N.4: Net Effect from increase in net assets	(35,795)
N.4: Reallocation of translation differences	(40,164)
N.5: Reallocation of translation differences	40,164
	35,795

Impact on assets, liabilities and equity as of 31 December 2012

	Note	At 31 December 2012 as previously reported	Adjustment	At 31 December 2012 restated
Trade and other receivables	6	5,003,181	(267,482)	4,735,699
Tax payables	7	(168,727)	(20,931)	(189,658)
Total effect on net assets		4,834,454	(288,413)	4,546,041
Reserves	8	(3,813,068)	2,767,338	(1,045,730)
Retained earnings	9	(1,921,118)	(2,433,413)	(4,354,531)
Translation differences	10	85,526	(45,512)	40,014
Total effect on equity		(5,648,660)	288,413	(5,360,247)

Notes to the financial statements (continued)
Accounting policies (continued)

Effect of retrospective restatements (continued)

Explanatory notes:

N.6: Corrections impairment of A/R from 2009 - 2011	(209,319)
N.6: Corrections impairment of A/R from 2012	(116,485)
N.6: Corrections prepaid tax	58,322
N.7: Corrections liability for profit tax for impairment of receivables form 2009-2011	(20,931)
	(288,413)
N.8: Corrections Recovery of accum. Losses	2,399,868
N.8: Corrections Allocation for payment of divid.	289,795
N.8: Reallocation of translation differences	77,675
N.9: Corrections Recovery of accum. Losses	(2,399,868)
N.9: Corrections Reallocation of reserves	(82,232)
N.9: Corrections impairment of A/R from 2012	116,485
N.9: Reallocation of translation differences	(77,676)
N.9: Translation differences	9,878
N.10: Correction translation differences	(45,512)
	288,413

Impact on total comprehensive income for the year ended 31 December 2012

	Note	Year ended 31 December 2012
Impact on profit and loss		
Increase in administrative and selling expenses		
- Additional impairment on A/R (see N.6 above)	11	(116,485)
Decrease in profit for the year		(116,485)
Impact on other comprehensive income for the year		-
Decrease in total comprehensive income for the year		(116,485)
Decrease in profit for the year attributable to the holders of ordinary shares		(116,485)
Decrease in total comprehensive income for the year attributable to the holders of ordinary shares		(116,485)

Impact on earnings per share (basic and diluted) is disclosed in Note 25.

Impact on cash flows for the year ended 31 December 2012

	Year ended 31 December 2012
Net cash inflow from operating activities	1,382
Net cash (outflow) from investing activities	(674)
Net cash inflow / (outflow) from financing activities	-
Translation differences	(708)
Net cash inflow / (outflow)	-

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:

			(Restated)
Assets		2013 In Euro	2012 In Euro
Cash and cash equivalents	EUR	1,160,969	1,115,417
Trade receivables – foreign debtors	EUR	2,970,571	3,090,805
		4,131,540	4,206,222
Liabilities			
Trade payables – foreign suppliers	EUR	(846,089)	(2,051,375)
Borrowings	EUR	(6,082,279)	(8,193,466)
		(6,928,368)	(10,244,841)

Foreign currency sensitivity analysis

	Net amount in Euro	+10%	-10%
31 December 2013			
Gain or (loss)	(2,796,828)	(279,683)	279,683
31 December 2012			
Gain or (loss)	(6,038,619)	(603,862)	603,862

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

Notes to the financial statements (continued)
Financial risk management (continued)

Market risk (continued)

Interest rate risk

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

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

	2013 In Euro	(Restated) 2012 In Euro
Assets		
<i>Non-interest bearing:</i>		
Trade and other receivables	2,738,906	3,237,304
Cash and cash equivalents	1,508	1,221
	2,740,414	3,238,525
<i>with fixed interest rate:</i>		
Investments in government bonds	-	85
Cash and cash equivalents	1,288,919	1,251,000
	1,288,919	1,251,085
	4,029,333	4,489,610
Liabilities		
<i>Non-interest bearing:</i>		
Trade and other payables	2,701,051	3,373,056
	2,701,051	3,373,056
<i>with fixed interest rate:</i>		
Borrowings	39,105	22,876
	39,105	22,876
<i>with variable interest rate:</i>		
Borrowings	6,082,279	8,193,466
	6,082,279	8,193,466
Interest sensitivity gap	8,822,435	11,589,398

Nominal interest rates are 6 months Euribor + 4% (2012: 6 months Euribor + 5%)

Interest rate sensitivity analysis

At 31 December 2013	Net amount in Euro	2%	-2%
Borrowings with variable interest rate	(6,082,279)	(121,646)	121,646
At 31 December 2012 (restated)	Net amount in Euro	2%	-2%
Borrowings with variable interest rate	(8,193,466)	(163,869)	163,869

Notes to the financial statements (continued)
Financial risk management (continued)

3.3 Credit risk

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

The Company has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any counter party.

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

	2013	(Restated) 2012
Classes of financial assets – carrying amounts (in Euro):		
Investments in government bonds	-	85
Cash and cash equivalents	1,290,427	1,252,221
Trade and other receivables	2,738,906	3,237,304
	4,029,333	4,489,610

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

Company secures its credit exposure to customers with bank guarantees, letter of credits, cash deposits, prepayments etc. Though the Company has a big exposure to volatile Greek market (at around 60% of sales), the selected distributors are mostly export oriented, a fact that minimizes the Greek market exposure risk. To the best of our knowledge, the Company's major customers have not experienced significant financial difficulties to date. Credit quality of trade receivables as at 31 December 2013 is considered to be good.

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

3.4 Liquidity risk

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

Notes to the financial statements (continued)
Financial risk management (continued)

Liquidity risk (continued)

As at 31 December 2013 and 2012, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarised 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 2013			
Interest – bearing borrowings	1,689,305	4,432,079	-
Trade and other payables	2,701,051	-	-
	4,390,356	4,432,079	-
	Current 1 to 12 months (In Euro)	1 to 5 years (In Euro)	Non – current Later than 5 years (In Euro)
(Restated) At 31 December 2012			
Interest – bearing borrowings	2,960,780	5,255,562	-
Trade and other payables	3,373,056	-	-
	6,333,836	5,255,562	-

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

3.5 Capital risk management

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

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

Gearing ratio

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

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

The debt indicator at year end is as follows:

	2013 (In Euro)	(Restated) 2012 (In Euro)
Interest-bearing borrowings	6,121,384	8,216,342
Cash and cash equivalents	(1,290,427)	(1,252,221)
Net liabilities	4,830,957	6,964,121
Shareholders' equity	16,745,548	15,787,994
Gearing ratio	0.29	0.44

Notes to the financial statements (continued)
Financial risk management (continued)

3.6 Fair value estimation

Fair value represents 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. Fair values have been based on management assumptions according to the profile of the asset and liability base.

3.6.1 Financial instruments presented at fair value

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

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

31 December 2013	Level 1 (In Euro)	Level 2 (In Euro)	Level 3 (In Euro)	Total (In Euro)
Assets				
Government bonds	-	-	-	-
Total	-	-	-	-

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

3.6.2 Financial instruments that are not presented at fair value

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

	Carrying value (Restated)		Fair value (Restated)	
	2013 (In Euro)	2012 (In Euro)	2013 (In Euro)	2012 (In Euro)
Assets				
Trade and other receivables	2,738,906	3,237,304	2,738,906	3,237,304
Cash and cash equivalents	1,290,427	1,252,221	1,290,427	1,252,221
Total assets	4,029,333	4,489,525	4,029,333	4,489,525
Liabilities				
Borrowings	6,121,384	8,216,342	6,121,384	8,216,342
Trade and other payables (without tax liabilities)	2,701,051	3,373,056	2,701,051	3,373,056
	8,822,435	11,589,398	8,822,435	11,589,398

Loans and receivables

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

Notes to the financial statements (continued)
Financial risk management (continued)

Fair value estimation (continued)

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 values of trade payables approximate their fair value due to their maturity of less than 3 months. Carrying value of loans payable approximates their fair value due to their variable interest rates which approximate the market.

4 Critical accounting estimates and judgements

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

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

Uncertainty in judgments

Impairment of non- financial assets

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

Impairment of financial assets

Impairment of trade and other receivables

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

Useful life of depreciable assets

Management regularly reviews the useful lives of depreciable assets as at the statement of financial position date. Management estimates that the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analysed in Note 5 and 6. However, the factual results may differ due to the technological obsolescence. Estimations and useful lives of certain items from property, plant and equipment were reviewed as of 31 December 2013 (Note 5 and 6), on the basis of which a correction has been made, as presented in the table below:

	2013	2012
Buildings & Foundation	20 years	40 years
Machines	4-10 years	10-20 years
Equipment	4-10 years	4-20 years
Transport & furniture	4-5 years	4-20 years

The effect of these changes on the depreciation cost for the period ended 31 December 2013 is 1,118,666 Euros. Due to the nature and different type of equipment, the effect of changes on the depreciation cost for the future periods is impracticable to be assessed.

Inventories

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

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

5 Property, plant and equipment

	Land & Buildings	Machinery & equipment	Construction in progress	Total
At 01 January 2012 (restated)				
Cost or valuation	5,098,796	16,633,947	191,657	21,924,400
Accumulated depreciation	(1,570,648)	(7,149,325)	-	(8,719,973)
Net carrying amount	3,528,148	9,484,622	191,657	13,204,427
Year ended 31 December 2012 (restated)				
Opening net carrying amount	3,528,148	9,484,622	191,657	13,204,427
Translation differences	287	765	16	1,068
Additions, net of transfers from C.I.P.	108,958	723,220	(8,488)	823,690
Disposals-net	-	(674)	-	(674)
Depreciation charge for the year	(111,301)	(840,128)	-	(951,429)
Closing carrying amount	3,526,092	9,367,805	183,185	13,077,082
At 31 December 2012 / 01 January 2013 (restated)				
Cost or valuation	5,208,041	17,357,258	183,185	22,748,484
Accumulated depreciation	(1,681,949)	(7,989,453)	-	(9,671,402)
Net carrying amount	3,526,092	9,367,805	183,185	13,077,082
Year ended 31 December 2013				
Opening net carrying amount	3,526,092	9,367,805	183,185	13,077,082
Translation differences	(634)	(1,724)	(32)	(2,390)
Additions, net of transfers from C.I.P.	78,569	2,386,646	(15,723)	2,449,492
Disposals-net	(5,578)	(261,193)	-	(266,771)
Depreciation charge for the year	(227,092)	(2,091,781)	-	(2,318,873)
Closing carrying amount	3,371,357	9,399,753	167,430	12,938,540
At 31 December 2013				
Cost or valuation	5,199,077	19,160,094	167,430	24,526,601
Accumulated depreciation	(1,827,720)	(9,760,341)	-	(11,588,061)
Net carrying amount	3,371,357	9,399,753	167,430	12,938,540

Construction in progress

As of 31 December 2013, the balance of construction in progress in the amount of 167,430 Euros consists of the cost of building part of filtering station and other equipment.

Sale and disposal of machinery and equipment

During 2013 the Company sold part of its transport vehicles. The gain on vehicles sold was in the amount of 2,222 Euros and disposed part of its office equipment and computers the net carrying value of which amounts 24,785 Euros (2012: 674 Euros). In addition, the value of marble-cutting equipment related to the department where operation was suspended, amounting 239,429 Euros was fully written off.

Pledge over property, plant and equipment

As of 31 December 2013, the Company has pledged part of its property, plant and equipment to secure borrowings (see Note 13). As of the statement of financial position date, their appraised value is in the amount of 8,923,600 Euros (2012: 8,400,000 Euros). (see Note 26).

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

6 Intangible assets

	Development expenditure	Intangibles in progress	Total
At 01 January 2012 - (Restated)			
Cost or valuation	363,389	69,166	432,555
Accumulated amortization	(83,842)	-	(83,842)
Net carrying amount	279,547	69,166	348,713
Year ended 31 December 2012 - (Restated)			
Opening net carrying amount	279,547	69,166	348,713
Translation differences	27	80	107
Additions, net of transfers from intangibles in progress	192,274	1,789,000	1,981,274
Amortization charge for the year	(84,546)	-	(84,546)
Closing carrying amount	387,302	1,858,246	2,245,548
At 31 December 2012 / 01 January 2013 - (Restated)			
Cost or valuation	555,690	1,858,246	2,413,936
Accumulated amortization	(168,388)	-	(168,388)
Net carrying amount	387,302	1,858,246	2,245,548
Year ended 31 December 2013			
Opening net carrying amount	387,302	1,858,246	2,245,548
Translation differences	(90)	(333)	(423)
Additions, net of transfers from intangibles in progress	333,018	(82,744)	250,274
Disposals-net	(4,565)	-	(4,565)
Amortization charge for the year	(112,961)	-	(112,961)
Closing carrying amount	602,704	1,775,169	2,377,873
At 31 December 2013			
Cost or valuation	854,689	1,775,169	2,629,858
Accumulated amortization	(251,985)	-	(251,985)
Net carrying amount	602,704	1,775,169	2,377,873

As of 31 December 2013 the balance of intangibles in progress in the amount of 1,775,169 Euros relates to different kind of services related to earth moving and stripping activities. Since the activities performed are related to development and pre-production phase, the Company has capitalized all the expenses as intangible asset in its Statement of financial position. Stripping work in the same sector of the quarry will resume in 2014 and are expected to lead to production, in which case the relevant intangibles assets will be recognized as complete and amortization will commence in proportion to the production per period.

Out of the total depreciation and amortization for the year ended 31 December 2013 amounting 2,431,834 Euros (2012: 1,035,975 Euros), 2,322,966 Euros (2012: 991,147 Euros) has been charged in cost of sales and the remaining in the amount of 108,868 Euros (2012: 44,828 Euros) into administrative and selling expenses (see Note 18).

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

7 Financial instruments by categories

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

	Loans and receivables	Assets at fair value through profit and loss	Available – for - sale	Total
31 December 2013				
Assets according to the Statement of financial position				
Other short term financial assets	-	-	-	-
Trade and other receivables	2,738,906	-	-	2,738,906
Cash and cash equivalents	1,290,427	-	-	1,290,427
	4,029,333	-	-	4,029,333
	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost		Total
Liabilities according to the Statement of financial position				
Interest bearing borrowings	-	6,121,384		6,121,384
Trade and other payables	-	2,701,051		2,701,051
	-	8,822,435		8,822,435
	Loans and receivables	Assets at fair value through profit and loss	Available – for – sale	Total
(Restated)				
31 December 2012				
Assets according to the Statement of financial position				
Other short term financial assets	-	85	-	85
Trade and other receivables	3,237,304	-	-	3,237,304
Cash and cash equivalents	1,252,221	-	-	1,252,221
	4,489,525	85	-	4,489,610
	Liabilities at fair value through profit and loss	Other financial liabilities at amortised cost		Total
Liabilities according to the Statement of financial position				
Interest bearing borrowings	-	8,216,342		8,216,342
Trade and other payables	-	3,373,056		3,373,056
	-	11,589,398		11,589,398

8 Inventories

	2013	(Restated) 2012
Work in progress	4,163,463	4,306,237
Finished products	698,020	1,474,462
Spare parts	423,911	342,849
Raw materials	156,004	119,075
Trade goods	79,962	79,977
Other	14,660	5,067
	5,536,020	6,327,667

As of 31 December 2013 the carrying values of certain semi – finished and finished products were reduced to their net realizable values, using the best recent sale prices as well as the results of independent evaluation, for the category of semi – finished products (low quality blocks) where there were no recent sales.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

Inventories (continued)

The total value adjustment, charged to the current profit and loss amount to 1,324,647 Euros (2012: 118,413 Euros), of which semi – finished products (blocks) were reduced by 750,148 Euros and finished products (tiles) - by 574,499 Euros. In addition, the expense for wastage, failure and fracture was recognized in the amount of 8,152 Euros (2012: 136,614 Euros) in the current profit and loss (see Note 18).

9 Trade and other receivables

	2013	(Restated) 2012
Current trade receivables		
Local debtors	297,689	502,644
Foreign debtors	2,130,233	1,338,122
Related parties' receivables (see Note 24)	636,895	1,753,254
	3,064,817	3,594,020
Less: impairment provision	(368,459)	(404,049)
	2,696,358	3,189,971
Prepayments		
Prepaid corporate income tax	747,078	1,011,480
Prepaid VAT	194,025	160,071
Advances to suppliers	93,955	53,588
Deferred expenses	48,082	273,256
Other current receivables	42,548	47,333
	1,125,688	1,545,728
Less: impairment provision	-	-
	1,125,688	1,545,728
Trade and other receivables, net	3,822,046	4,735,699

At 31 December 2013 the balance of 747,078 Euros (31 December 2012: 1,011,480 Euros) relates to prepaid corporate income tax on which the Company submitted request for tax refund to the Public Revenue Office. In May 2013 the Company received Decision by the Public Revenue Office partly confirming the tax refund in the amount of 296,215 Euros that was returned to the Company during the year. Final Decisions were received in December 2013 confirming the tax refund in amount of 656,961 Euros.

At 31 December 2013 the age structure of trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	Foreign trade receivables	Advances to suppliers	Total
Amount not due	-	1,883,946	-	1,883,946
Overdue up to 1 year	20,324	811,258	90,485	922,067
Overdue more than 1 year	277,365	71,924	3,470	352,759
	297,689	2,767,128	93,955	3,158,772
Less: impairment provision	(216,951)	(151,508)	-	(368,459)
	80,738	2,615,620	93,955	2,790,313

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

	Domestic trade receivables	Foreign trade receivables	Advances to suppliers	Total
Amount not due	16,242	2,959,042	-	2,975,284
Overdue up to 1 year	9,924	75,892	52,432	138,248
Overdue more than 1 year	476,478	56,442	1,156	534,076
	502,644	3,091,376	53,588	3,647,608
Less: impairment provision	(358,404)	(45,645)	-	(404,049)
	144,240	3,045,731	53,588	3,243,559

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

Trade and other receivables (continued)

At 31 December 2013 the credit quality of Company's trade receivables and advances to suppliers can be analysed as follows:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cost	1,883,946	906,367	368,459	3,158,772
Less: Impairment provision	-	-	(368,459)	(368,459)
	1,883,946	906,367	-	2,790,313

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

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cost	2,975,284	268,275	404,049	3,647,608
Less: Impairment provision	-	-	(404,049)	(404,049)
	2,975,284	268,275	-	3,243,559

At both reporting dates all past due but not impaired receivables are overdue within one year.

Following table provides for the movement of impairment provision account for the years ended 31 December 2013 and 2012:

	2013	(Restated) 2012
At 01 January	404,049	7,210,091
Write off of previously impaired receivables	(603)	(16,564)
Write off of previously impaired receivables – Phalerco	-	(7,115,288)
Collected fully provided bad debts (Note 21)	(143,286)	-
Impairment provision	108,332	325,804
Translation differences	(33)	6
At 31 December	368,459	404,049

Following table provides for the movement of impairment provision account of other receivables for the years ended 31 December 2013 and 2012:

	2013	(Restated) 2012
At 01 January	-	2,962,456
Impairment provision	-	-
Write-off of previously impaired receivables	-	(2,962,456)
At 31 December	-	-

10 Other short term financial assets

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

	2013	(Restated) 2012
At 01 January	85	94
Sold government bonds	(82)	-
Matured government bonds	-	(9)
Loss from sale of government bonds	(3)	-
At 31 December	-	85

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

11 Cash and cash equivalents

	2013	(Restated) 2012
Bank accounts	1,288,919	1,251,000
Cash on hand	1,508	1,221
	1,290,427	1,252,221

12 Share capital

Shares issued

	Number of shares	Ordinary shares (Euros)	Amount (in Euros) Share premium (Euros)	Total (Euros)
<i>Authorized, issued and fully paid ordinary shares 1 Euro at par</i>				
At 31 December 2013 and 2012	4,686,858	4,686,858	4,158,313	8,845,171

The structure of share capital at 31 December 2013 and 2012 is as follows (amounts in Euro):

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

Other components of equity

	Translation reserve	Statutory reserves	Revaluation reserve	Total
At 01 January 2013 (restated)	(40,014)	1,045,730	1,582,576	2,588,292
Translation differences	(3,024)	-	-	(3,024)
At 31 December 2013	(43,038)	1,045,730	1,582,576	2,585,268
At 01 January 2012 as previously reported	(10,042)	7,528,471	1,582,576	9,101,005
Corrections	-	(4,794,161)	-	(4,794,161)
Reallocation of translation differences	(40,164)	-	-	(40,164)
At 01 January 2012 (restated)	(50,206)	2,734,310	1,582,576	4,266,680
Allocation for dividends (restated)	-	(1,688,580)	-	(1,688,580)
Translation differences	10,192	-	-	10,192
At 31 December 2012 (restated)	(40,014)	1,045,730	1,582,576	2,588,292

Revaluation reserve

Revaluation surplus, which at 31 December 2013 amounts to 1,582,576 Euros (31 December 2012: 1,582,576 Euros) was initially created during 2002, based upon the independent valuation of groups of Company's property, plant and equipment. Subsequent changes (transfers into retained earnings) relate to surpluses of those assets sold.

Statutory reserves

Reserves, which at 31 December 2013 amount to 1,045,730 Euros (31 December 2012 restated: 1,045,730 Euros; 01 January 2012 as reported: 7,528,471 Euros) are created during the years by allocation of parts of the net income after tax. According to the prevailing local legal regulations, the Company is required to set aside each year, minimum 5% (2012: 15%) from its annual net income after tax, until the level of such reserves reach 10% (2012: 20%) of the registered capital. With an assembly decision reserves can be distributed for dividends to the shareholders and/or for purchase of its own shares.

¹ In its capacity of the issuer of the ELPIS certificates

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

13 Borrowings

	2013	(Restated) 2012
<u>Long – term interest bearing borrowings from banks</u>		
Komercijalna Banka ad, Skopje (original amount: 18,920,000 Euros; interest rate 6m.Libor.+4%)	3,378,262	6,188,913
Komercijalna Banka ad, Skopje (original amount: 1,250,000 Euros; interest rate 6m.Euribor.+4%)	1,250,000	-
Komercijalna Banka ad, Skopje (original amount: 123,280,000 Denars; interest rate 6.5% p.a.)	1,454,017	2,004,553
Finance lease liabilities	21,040	12,435
	6,103,319	8,205,901
Less: current maturity of long term borrowings	(1,671,240)	(2,950,339)
Total long – term borrowings	4,432,079	5,255,562
<u>Short – term interest bearing borrowings from banks</u>		
Komercijalna Banka ad, Skopje, Visa credit card	3,157	2,587
Finance lease liabilities	14,908	7,854
	18,065	10,441
Add: current maturity of long term borrowings	1,671,240	2,950,339
Total short-term borrowings	1,689,305	2,960,780

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 2013 amounts to 1,288,637 Euros (2012: 6,760,649 Euros). Total loans repaid during the same period amounts to 3,383,595 Euros (2012: 2,163,681 Euros).

The long-term borrowings repayments schedule is as follows:

	2013	2012
Due within 12 months	1,671,240	2,950,339
Due within 1 – 2 years	1,932,684	1,831,893
Due within 2 – 5 years	2,478,355	3,411,234
	6,082,279	8,193,466

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

	2013	2012
Present value of payment:		
Due within 1 year	14,908	7,854
Due between 1 – 5 years	21,040	12,435
Due over 5 years	-	-
	35,948	20,289

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
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14 Trade and other payables

	2013	(Restated) 2012
Trade creditors		
Local suppliers	1,556,578	1,064,553
Foreign suppliers	733,129	1,742,385
Related parties' payables (see Note 24)	112,960	308,990
	2,402,667	3,115,928
Other current liabilities		
Liabilities to employees and management	281,377	230,039
Customers' prepayments	276,957	71,252
Accrued expenses	24,995	-
Interest payable	14,443	24,532
Dividends payables (net of local taxes)	1,547	1,924
Other	1,017	633
	600,336	328,380
Total trade and other payables	3,003,003	3,444,308

15 Tax payables

	2013	(Restated) 2012
Concession fees and other levies	72,718	62,152
Withholding tax	13,761	10,917
Personal income tax liabilities	8,492	2,980
Corporate income tax liabilities	-	113,395
Tax on dividends distributed to non – residents	-	214
	94,971	189,658

16 Sales

	2013	(Restated) 2012
Local market	740,381	730,858
Foreign markets:		
- Greece	6,050,605	6,761,870
- Cyprus	3,711,268	3,694,082
- Other Former Yugoslavia	455,522	621,383
- Other markets	5,856,997	1,461,365
Sub- total – sales on foreign markets	16,074,392	12,538,700
Total sales	16,814,773	13,269,558

17 Cost of sales

	2013	(Restated) 2012
Stock of finished products and W.I.P. at 01 January	5,780,699	5,473,912
Plus: Total production cost for the year ended 31 December	8,462,587	7,047,321
Plus: Income from value adjustment of previously written-off inventory	298,861	552,620
Less: Impairment, wastage, failure and fracture of inventories	(1,332,799)	(136,614)
Less: Stock of finished products and W.I.P. at 31 December	(4,861,483)	(5,780,699)
	8,347,865	7,156,540

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
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18 Administrative and selling expenses

	Year ended 31 December 2013		(Restated) Year ended 31 December 2012	
	Administrative	Selling	Administrative	Selling
Customers' discounts	-	2,775,279	-	1,757,251
Impairment of inventories	-	1,324,647	-	118,413
Professional advisory services	792,943	-	803,292	-
Staff costs	540,925	230,833	459,803	100,686
Marketing and promotion	201,337	118,902	45,010	97,324
Services	141,575	304,781	110,668	114,443
Depreciation (Note 6)	107,574	1,294	44,327	501
Taxes and other levies	64,554	1,255	90,230	1,043
Materials, supplies and utilities	24,551	8,639	32,250	21,393
Impairment of property, plant and equipment	-	239,429	-	-
Direct write off of receivables	-	117,426	-	297,861
Present value of assets sold and written off	-	24,785	-	510
Wastage, failure and fracture (Note 8)	-	8,152	-	136,614
Shortages	-	-	-	2,932
Other expenses and provisions	509,470	73,300	200,035	24,292
	2,382,929	5,228,722	1,785,615	2,673,263

19 Staff costs

	(Restated)	
	2013	2012
Net salaries	1,958,941	1,972,782
Personal tax and mandatory contributions	882,191	917,682
Other allowances	195,004	300,668
	3,036,136	3,191,132

20 Other operating expenses

	(Restated)	
	2013	2012
Interest on profit tax	163,032	-
	163,032	-

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

21 Other operating income

	2013	(Restated) 2012
Income from released value adjustment of inventories sold	298,861	552,620
Income from re invoicing of transport cost and other services	155,335	-
- minus: Cost associated with the above services	(145,060)	-
Gains from previously impaired receivables	143,286	-
Raw materials sold	32,628	277
Payables write offs and stock count surplus	10,854	1,579
Gains on property, plant and equipment sold	2,222	-
Income from rents	604	-
Income from investments in government bonds	-	1
Other income	184,463	133,012
	683,193	687,489

22 Finance income and costs

	2013	(Restated) 2012
Finance income		
Interest income	114,612	49,847
Foreign exchange gains	56,237	82,764
	170,849	132,611
Finance (costs)		
Interest (expense)	(437,936)	(468,786)
Bank (charges)	(73,625)	(103,201)
Foreign exchange (losses)	(74,163)	(97,620)
	(585,724)	(669,607)
Finance (costs), net	(414,875)	(536,996)

23 Income tax expense

	2013	(Restated) 2012
Current tax expense	-	-
Deferred tax expense	-	-
	-	-

The charge for the year can be reconciled to the profit per Statement of comprehensive income for 2013 and 2012 as follows:

	2013	(Restated) 2012
Non – deductible expenses	1,413,942	537,606
Tax credit of expenses with deferred recognition	(9,029,024)	(9,858,401)
	-	-
Current tax charge at rate of 10%	-	-

The tax credit in the amount of 9,029,024 Euros relates to expenses for impairment of receivables from Phalerco LTD Cyprus and FHL H. Kyriakidis Marbles - Granites S.A. (“FHL”) recognized in 2011, where no appropriate documentation as required by the tax authorities was available in order these receivables to be recognized as tax deductible expenses. Hence, these expenses were considered as non-deductible expenses and the tax charge of 10% was recognized in the financial statements as of and for the year ended 31 December 2011.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

Income tax expense (continued)

However, in 2012 the Company obtained all the relevant documentation such as Confirmation of receipt of the claim and acceptance of the receivables by the liquidator for Phalerco and AWARD by the International Court of Arbitration for FHL and it declared the tax credit of expenses with deferred recognition in the amount of 9,029,024 Euros. By final Decisions from Public Revenue Office received in December 2013 tax credit was decreased for amount of 291,286 Euros for impairment of receivables and interest on loan.

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 2013 and 2012:

31 December 2013	Cash	Receivables	Payables	Revenues	Expenses
Stone Works Holding Cooperatief U.A Netherlands	-	-	-	-	400,346
Castleblock Limited Nicosia Cyprus	-	488,194	-	3,711,268	37,111
NBGI Private Equity London	-	148,701	79,960	148,714	80,153
Stopanska Banka AD Skopje	25,855	-	-	-	-
Key management remuneration	-	-	-	-	336,263
	25,855	636,895	79,960	3,859,982	853,873

(Restated) 31 December 2012	Cash	Receivables	Payables	Revenues	Expenses
Stone Works Holding Cooperatief U.A Netherlands	-	-	200,000	-	199,992
Castleblock Limited Nicosia Cyprus	-	1,644,066	-	3,700,448	36,938
NBGI Private Equity London	-	109,188	75,990	109,184	80,202
Ethemba Capital No.8 NV Curacao Netherlands Antilles ²³	-	-	33,000	-	32,999
Stopanska Banka AD Skopje	3,957	-	-	-	-
Key management remuneration	-	-	-	-	203,095
	3,957	1,753,254	308,990	3,809,632	553,226

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.

	2013	(Restated) 2012
Profit attributable to equity holders of the Company	960,543	1,804,633
Weighted average number of ordinary shares	4,686,858	4,686,858
Basic earnings per share (Euros per share)	0,20	0,39

² As of 31 May 2013, Ethemba Capital No.8 NV, participating in Stone Works Holdings Cooperatief U.A. was acquired by funds managed by NBGI private Equity Limited.

³ As of July 2013, Ethemba Capital No.8 NV has been renamed to Stone Castle Holding NV.

⁴ Consulting contract with Ethemba Capital No.8 NV (already renamed to Stone Castle Holding NV) was transferred to Ethemba Capital No.8 LP which provided services of value € 33,000 and has a receivable of equal amount. However, they do not appear in the table above, because this entity is not a related party.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

Earnings per share (continued)

The impact of retrospective restatements disclosed in Note 2.24 over the profit and the earnings per share (basic and diluted) for the year ended 31 December 2012 is as follows:

	Year ended 31 December 2012
(Decrease) in profit attributable to equity holders of the Company	(116,485)
(Decrease) in earnings per share (basic and diluted) attributable to equity holders of the Company (Euros per share)	(0.02)

26 Contingent liabilities

Mortgages

Mortgages provided are as follows:

	2013	(Restated) 2012
Business premises	2,572,000	2,600,000
Machinery & equipment	6,351,600	5,800,000
	8,923,600	8,400,000

Guarantees

Guarantees provided are as follows:

	2013	(Restated) 2012
Issued by Komercijalna Banka AD Skopje	541,828	130,081
	541,828	130,081

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 2013, the estimated Euro equivalent of the legal proceedings raised against the Company amounts 22,760 Euros (2012: 79,232 Euros). 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 2013 the Company was subject of following tax inspections by tax authorities:

- for VAT - until 30 June 2009;
- for Personal Income tax and Corporate Income tax for period from 1 January 2007 until 31 December 2008;
- for Corporate Income tax and 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.

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

27 Commitments

Operating lease liabilities

As of 31 December 2013 the operating lease liabilities relates to lease of vehicles. Repayment schedule of operating lease liabilities is as follows:

	2013	(Restated) 2012
Operating lease liabilities		
Present value of payment:		
Due within 1 year	16,712	31,400
Due between 1 – 5 years	23,340	14,373
	40,052	45,773

28 Concession agreements

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

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

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

29 Information on operating segments

As of 31 December 2013 and 2012, the Company is organized into the following operating segments:

- quarry;
- factory.

Operating results per segments for the years ended 31 December 2013 and 2012, are as follows:

	Quarry	Factory	Total
Year ended 31 December 2013			
Sales	13,392,260	3,422,513	16,814,773
Profit / (loss) from operating activities	2,264,238	(888,820)	1,375,418
Financial result, net			(414,875)
Profit before income tax			960,543
Income tax expense			-
Profit for the year			960,543
Other comprehensive income			(2,989)
Total comprehensive income for the year			957,554
(Restated)			
Year ended 31 December 2012			
Sales	9,412,724	3,856,834	13,269,558
Profit/ (loss) from operating activities	2,682,559	(340,930)	2,341,629
Financial result, net			(536,996)
Profit before income tax			1,804,633
Income tax expense			-
Profit for the year			1,804,633
Other comprehensive income			1,393
Total comprehensive income for the year			1,806,026

Notes to the financial statements (continued)
As of and for the year ended 31 December 2013
(All amounts expressed in Euros, unless otherwise stated)

Information on operating segments (continued)

Segment assets and liabilities as of 31 December 2013 and 2012 are as follows:

	Quarry	Factory	Total
31 December 2013			
Total assets	16,839,851	9,125,055	25,964,906
Liabilities	7,636,718	1,582,640	9,219,358
Capital expenditures	2,632,554	67,212	2,699,766
(Restated)			
31 December 2012			
Total assets	17,206,272	10,432,030	27,638,302
Liabilities	8,920,537	2,929,771	11,850,308
Capital expenditures	2,643,307	161,667	2,804,974

Sales per geographical regions are as follows:

	2013	(Restated) 2012
Macedonia	740,381	730,858
Greece	6,050,605	6,761,870
Cyprus	3,711,268	3,694,082
Other Former Yugoslavia	455,522	621,383
Other markets	5,856,997	1,461,365
	16,814,773	13,269,558

30 Events after the reporting date

Subsequent to 31 December 2013 until the approval of these financial statements, there were no adjusting events recognized in these financial statements. Following events are substantially important to be disclosed in the present financial statements:

1. The extraordinary General Assembly of the shareholders on 17 February 2014 passed Decision for distribution of accumulated profits before 31 December 2012 as dividends at the amount of 0.47 Euros per share;
2. The extraordinary General Assembly of the shareholders on 17 February 2014 elected Mrs. Jasna Azhievska – Petrusheva and Mr. Ventseslav Avramov as members of the board of directors;
3. The Public Revenue Office has refunded 656,961 Euros corresponding to prepaid tax.
4. On 27/01/2014 and in the framework of the mining rights concession that is valid until 2030, the Company has been granted a new exploitation license for the Quarry Sivec, based on a mining project that covers the period from 2014 to 2019.



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