MARKELIA ENTERPRISES COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2009

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BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Irene Savvides Vasilios Trikoupis
Company Secretary:	Adam Montanios 16 Panteli Katelari Street Diagoras House 1097 Nicosia, Cyprus
Independent Auditors:	Horwath DSP Limited Chartered Certified Accountants Photiades Business Centre 1st floor, 8 Stassinos Avenue P.O. Box 22545 1522 Nicosia
Registered office:	16 Panteli Katelari Street Diagoras House 1097 Nicosia Cyprus

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year 2009.

Principal activities
The principal activities of the Company which are unchanged from last year, are the provision of finance.

Review of current position, future developments and significant risks
The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 3 of the financial statements.

Results and Dividends
The Company's results for the year are set out on page 5. The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital
There were no changes in the share capital of the Company during the year.

Board of Directors
The members of the Company's Board of Directors as at the date of this report are presented on page 1. All of them were members of the Board throughout the year 2009.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting period
Any significant events that occurred after the end of the reporting period are described in note 17 to the financial statements.

Independent Auditors
The independent auditors, Horwath DSP Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Irene Savvides
Director

Nicosia, 11 February 2010

Independent Auditor's Report

To the Members of Markelia Enterprises Company Limited

Report on the Financial Statements

We have audited the financial statements of Markelia Enterprises Company Limited (the "Company") on pages 5 to 17,, which comprise the statement of financial position as at 31 December 2009, and the statements of comprehensive income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 of financial statements that give a true and fair view 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 the Board of Directors 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.

Independent Auditor's Report (continued)

To the Members of Markelia Enterprises Company Limited

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Markelia Enterprises Company Limited as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of the Companies Law, Cap. 113, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on page 2 is consistent with the financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 156 of the Companies Law, Cap.113 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Horwath DSP Limited
Chartered Certified Accountants

Nicosia, 11 February 2010

STATEMENT OF COMPREHENSIVE INCOME
Year 2009

	Note	**2009** €	period from 14 May 2008 to 31 December 2008 €
Interest income		**507.083**	-
Interest expense		**(440.297)**	-
Net interest income		**66.786**	-
Administration expenses		**(8.187)**	(3.876)
Other expenses	5	**-**	(1.000)
Operating profit / (loss)	6	**58.599**	(4.876)
Net finance income	7	**1.824**	-
Profit/ (loss) before tax		**60.423**	(4.876)
Tax	8	**(40.236)**	-
Net profit / (loss) for the year / period		**20.187**	(4.876)
Other comprehensive income			
Other comprehensive income for the year / period		**-**	-
Total comprehensive income /(expense) for the year / period		**20.187**	(4.876)

The notes on pages 9 to 17 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION
31 December 2009

	Note	2009 €	2008 €
ASSETS			
Non-current assets			
Non-current loans receivable	9	**18.686.990**	-
		18.686.990	-
Current assets			
Trade and other receivables	10	**24.292**	1.000
Loans receivable	9	**1.370.145**	-
Cash at bank and in hand	11	**2.234.222**	-
		3.628.659	1.000
Total assets		**22.315.649**	1.000
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**1.000**	1.000
Retained earnings / accumulated (losses)		**15.311**	(4.876)
Total equity		**16.311**	(3.876)
Current liabilities			
Trade and other payables	14	**13.064**	4.876
Borrowings	13	**22.261.982**	-
Current tax liabilities	15	**24.292**	-
		22.299.338	4.876
Total equity and liabilities		**22.315.649**	1.000

On 11 February 2010 the Board of Directors of Markelia Enterprises Company Limited authorised these financial statements for issue.

....	....
Irene Savvides	Vasilios Trikoupis
Director	Director

STATEMENT OF CHANGES IN EQUITY
Year 2009

	Note	Share capital €	Retained earnings/ accumulated (losses) €	Total €
Net loss for the period		-	(4.876)	(4.876)
Issue of share capital	12	1.000	-	1.000
		1.000	(4.876)	(3.876)
Balance at 31 December 2008/ 1 January 2009		**1.000**	**(4.876)**	**(3.876)**
Net profit for the year		-	20.187	20.187
Balance at 31 December 2009		**1.000**	**15.311**	**16.311**

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

STATEMENT OF CASH FLOW
Year 2009

	Note	2009 €	period from 14 May 2008 to 31 December 2008 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) before tax		**60.423**	(4.876)
Adjustments for:			
Unrealised exchange difference on loans receivables and payables		**40.787**	-
Interest income	7	**(508.936)**	-
Interest expense		**440.297**	-
Cash flows from / (used in) operations before working capital changes		**32.571**	(4.876)
Decrease in trade and other receivables		**-**	(1.000)
Increase in trade and other payables		**8.188**	4.876
Cash flows from / (used in) operations		**40.759**	(1.000)
Tax paid (witholding tax)		**(15.944)**	-
Net cash flows from / (used in) operating activities		**24.815**	(1.000)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts from loans receivable		**2.207.554**	-
Interest received		**1.853**	-
Net cash flows from investing activities		**2.209.407**	-
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	-
Net increase / (decrease) in cash and cash equivalents		**2.234.222**	(1.000)
Cash and cash equivalents:			
At beginning of the year/ period		**-**	1.000
At end of the year/ period	11	**2.234.222**	-

1. Incorporation and principal activities

Country of incorporation

The Company Markelia Enterprises Company Limited (the "Company") was incorporated in Cyprus on 14 May 2008 as a limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at 16 Panteli Katelari Street, Diagoras House, 1097 Nicosia, Cyprus.

Principal activities

The principal activities of the Company which are unchanged from last year, are the provision of finance.

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 years presented in these financial statements unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2009. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- **Interest income**

  Interest income is recognised on a time-proportion basis using the effective interest method.

Finance costs

Interest expense and other borrowing costs are charged to the statement of comprehensive income as incurred.

2. Accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency
Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the statement of financial position date.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

2. Accounting policies (continued)

Financial instruments (continued)

Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any differences 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.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity.

3. Financial risk management

Financial risk factors
The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.2 Credit risk
Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

3.3 Liquidity risk
Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

3.4 Currency risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3.5 Capital risk management
The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the statement of financial position date.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. Critical accounting estimates and judgements (continued)

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

· **Provision for bad and doubtful debts**

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the statement of comprehensive income. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

· **Income taxes**

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Other expenses

	2009	period from 14 May 2008 to 31 December 2008
	€	€
Incorporation expenses	**-**	1.000
	-	1.000

6. Operating profit / (loss)

	2009	period from 14 May 2008 to 31 December 2008
	€	€
Operating profit / (loss) is stated after charging the following items:		
Auditors' remuneration	**3.450**	1.380
Incorporation expenses	**-**	1.000

7. Finance income / cost

	2009	period from 14 May 2008 to 31 December 2008
	€	€
Interest income	**1.853**	-
Net foreiggn exchange transaction gains	**676.361**	-
Finance income	**678.214**	-
Net foreign exchange transaction losses	**676.366**	-
Other finance expenses	**24**	-
Finance costs	**676.390**	-
Net finance income	**1.824**	-

8. Tax

	2009	period from 14 May 2008 to 31 December 2008
	€	€
Withholding tax on interest receivable	**40.236**	-
Charge for the year	**40.236**	-

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2009	period from 14 May 2008 to 31 December 2008
	€	€
Profit/ (loss) before tax	**60.423**	(4.876)
Tax calculated at the applicable tax rates	**6.042**	(488)
Tax effect of expenses not deductible for tax purposes	**-**	100
Tax effect of tax losses brought forward	**(487)**	-
Tax effect of tax loss for the year / period	**-**	388
Withholding tax on interest receivable	**34.681**	-
Tax charge	**40.236**	-

The corporation tax rate is 10%.

9. Non-current loans receivable

	2009	2008
	€	€
Loans receivable	20.057.135	-
	20.057.135	-
Less current portion	(1.370.145)	-
Non-current portion	18.686.990	-

The Company has two loans receivable at the year end, assigned from its shareholder. The first loan of Eur15.929.763 (US$ 22.832.494) is payable by 5 November 2024 and bears an annual interest of 3 months LIBOR + 3%. The second loan of Eur4.151.664 (US$ 5.950.501) is payable on demand and bears an annual interest of 4,95%. The first loan is pledged by properties held by the borrower.

The fair value of receivable loans approximates to their carrying amounts as presented above.

10. Trade and other receivables

	2009	2008
	€	€
Withholding tax recoverable	24.292	-
Shareholders' current accounts - debit balances (Note 16)	-	1.000
	24.292	1.000

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

11. Cash and cash equivalents

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2009	2008
	€	€
Cash at bank and in hand	2.234.222	-
	2.234.222	-

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

12. Share capital

	2009 Number of shares	2009 €	2008 Number of shares	2008 €
Authorised				
Ordinary shares of €1 each	10.000	10.000	10.000	10.000
Issued and fully paid				
On 1 January	1.000	1.000	-	-
Issue of shares	-	-	1.000	1.000
Balance at 31 December	1.000	1.000	1.000	1.000

13. Borrowings

	2009	2008
	€	€
On 1 January	-	-
Additions	22.444.394	-
Interest	440.297	-
Unrealised exchange difference	(622.709)	-
Balance at 31 December	22.261.982	-

	2009	2008
	€	€
Current borrowings		
Loans from shareholders	**22.261.982**	-
	22.261.982	-

The Company has two loans from its shareholder at the year end. The first loan of Eur 18.117.924 bears an annual interest of 3 months LIBOR + 2,65%. The second loan of Eur 4.144.058 bears an annual interest of 4,6%. Both loans are repayable on demand.

14. Trade and other payables

	2009	2008
	€	€
Other payables	**8.233**	3.496
Accruals	**4.831**	1.380
	13.064	4.876

15. Current tax liabilities

	2009	2008
	€	€
Overseas taxes	**24.292**	-
	24.292	-

16. Related party transactions

The following transactions were carried out with related parties:

16.1 Shareholders' current accounts - debit balances (Note 10)

	2009	2008
	€	€
As at 31 December 2008	**-**	1.000
	-	1.000

The shareholders' current accounts are interest free, and have no specified repayment date.

16. Related party transactions (continued)

16.2 Loan from shareholders (Note 13)

	2009	2008
	€	€
As at 31 December	**22.261.982**	-
	22.261.982	-

The Company has two loans from its shareholder at the year end. The first loan of Eur 18.117.924 bears an annual interest of 3 months LIBOR + 2,65%. The second loan of Eur 4.144.058 bears an annual interest of 4,6%. Both loans are repayable on demand.

17. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent Auditors' Report pages 3 and 4