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**MARKELIA ENTERPRISES COMPANY
LIMITED**

REPORT AND FINANCIAL STATEMENTS
31 December 2014

MARKELIA ENTERPRISES COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2014

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MARKELIA ENTERPRISES COMPANY LIMITED

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
Certified Public Accountants and Registered Auditors
Photiades Business Centre
1st floor, 8 Stassinou Avenue
P.O. Box 22545
1522 Nicosia

Registered office:

Panteli Katelari 16
Diagoras House Floor 7
1097 Nicosia
Cyprus

MARKELIA ENTERPRISES COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2014.

Principal activity

The principal activity of the Company, which are unchanged from last year, is 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

The Company's results for the year are set out on page 5.

Dividends

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 under review.

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 of Directors throughout the year ended 31 December 2014.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

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

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, 07 March 2016

Independent auditor's report

To the Members of Markelia Enterprises Company Limited

Report on the financial statements

We have audited the accompanying financial statements of Markelia Enterprises Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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 about 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.

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 2014, 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 European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Independent auditor's report (continued)

To the Members of Markelia Enterprises Company Limited

Report on other legal requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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, so far as appears from our examination of these books.
- 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 Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors 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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.



Chrysis Pegasiou FCA
Certified Public Accountant and Registered Auditor
for and on behalf of
Horwath DSP Limited
Certified Public Accountants and Registered Auditors

Nicosia, 07 March 2016

MARKELIA ENTERPRISES COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME Year ended 31 December 2014

	Note	2014 €	2013 €
Loan interest income		161.900	243.045
Loan interest expense		<u>(79.771)</u>	<u>(205.855)</u>
Net interest income		82.129	37.190
Administration expenses	5	<u>(3.637)</u>	<u>(1.251)</u>
Operating profit		78.492	35.939
Net finance income/(cost)	6	<u>34.246</u>	<u>(7.510)</u>
Profit before tax		112.738	28.429
Tax	7	<u>(16.189)</u>	<u>(22.375)</u>
Net profit for the year		96.549	6.054
Other comprehensive income		-	-
Total comprehensive income for the year		<u>96.549</u>	<u>6.054</u>

The notes on pages 9 to 15 form an integral part of these financial statements.

MARKELIA ENTERPRISES COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2014

	Note	2014 €	2013 €
ASSETS			
Non-current assets			
Non-current loans receivable	8	<u>2.107.187</u>	3.197.684
Current assets			
Loans receivable	8	<u>1.819.451</u>	1.729.031
Cash at bank	9	<u>395</u>	2.064
		<u>1.819.846</u>	1.731.095
Total assets		<u>3.927.033</u>	<u>4.928.779</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	10	<u>1.000</u>	1.000
Retained earnings		<u>232.661</u>	136.112
Total equity		<u>233.661</u>	<u>137.112</u>
Non-current liabilities			
Borrowings	11	<u>3.693.372</u>	4.781.200
Current liabilities			
Payables	12	<u>-</u>	10.467
Total liabilities		<u>3.693.372</u>	<u>4.791.667</u>
Total equity and liabilities		<u>3.927.033</u>	<u>4.928.779</u>

On 07 March 2016 the Board of Directors of Markelia Enterprises Company Limited authorised these financial statements for issue.



.....
Irene Savvides
Director



.....
Vasilios Trikoupi
Director

The notes on pages 9 to 15 form an integral part of these financial statements.

MARKELIA ENTERPRISES COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital €	Retained earnings €	Total €
Balance at 1 January 2013	1.000	130.058	131.058
Comprehensive income			
Net profit for the year	-	6.054	6.054
Balance at 31 December 2013/ 1 January 2014	1.000	136.112	137.112
Comprehensive income			
Net profit for the year	-	96.549	96.549
Balance at 31 December 2014	1.000	232.661	233.661

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 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter 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.

The notes on pages 9 to 15 form an integral part of these financial statements.

MARKELIA ENTERPRISES COMPANY LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2014

	2014	2013
	€	€
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	112.738	28.429
Adjustments for:		
Interest expense	6 <u>-</u>	<u>1.163</u>
Cash flows from operations before working capital changes	112.738	29.592
(Decrease)/increase in payables	<u>(10.467)</u>	<u>2</u>
Cash flows from operations	102.271	29.594
Tax paid	<u>(16.189)</u>	<u>(30.970)</u>
Net cash flows from/(used in) operating activities	<u>86.082</u>	<u>(1.376)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans repayments received	<u>1.000.077</u>	<u>3.757.633</u>
Net cash flows from investing activities	<u>1.000.077</u>	<u>3.757.633</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of borrowings	<u>(1.087.828)</u>	<u>(3.753.393)</u>
Interest paid	<u>-</u>	<u>(1.163)</u>
Net cash flows used in financing activities	<u>(1.087.828)</u>	<u>(3.754.556)</u>
Net (decrease) /increase in cash and cash equivalents	(1.669)	1.701
Cash and cash equivalents:		
At beginning of the year	<u>2.064</u>	<u>363</u>
At end of the year	9 <u><u>395</u></u>	<u><u>2.064</u></u>

The notes on pages 9 to 15 form an integral part of these financial statements.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

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 private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at Panteli Catelari 16, Diagoras House Floor 7, 1097 Nicosia, Cyprus.

Principal activity

The principal activity of the Company, which are unchanged from last year, is 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 judgment 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 2014. 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 profit or loss as incurred.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

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 profit or loss.

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 reporting 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.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank.

Borrowings

Borrowings are recorded initially at the proceeds received, 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 profit or loss over the period of the borrowings using the effective interest method.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

2. Accounting policies (continued)

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.

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.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

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.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

3. Financial risk management (continued)

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 reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

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. 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.

4. Critical accounting estimates and judgments

Estimates and judgments 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.

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:

- **Income taxes**

Significant judgment 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.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

5. Expenses by nature

	2014	2013
	€	€
Auditors' remuneration	5.000	5.000
Other professional fees	2.577	2.571
Recharge to holding company	(4.290)	(6.670)
Annual levy	350	350
Total expenses	3.637	1.251

6. Finance income/ (costs)

	2014	2013
	€	€
Exchange profit	35.193	-
Finance income	35.193	-
Net foreign exchange transaction losses	(28)	(6.182)
Interest expense	-	(1.163)
Sundry finance expenses	(919)	(165)
Finance costs	(947)	(7.510)
Net finance income/(costs)	34.246	(7.510)

7. Tax

	2014	2013
	€	€
Withholding tax on interest receivable	16.189	22.375
Charge for the year	16.189	22.375

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

	2014	2013
	€	€
Profit before tax	112.738	28.429
Tax calculated at the applicable tax rates	14.092	3.554
Tax effect of expenses not deductible for tax purposes	44	813
Tax effect of allowances and income not subject to tax	(4.399)	(4.367)
Withholding tax on interest receivable	6.452	22.375
Tax charge	16.189	22.375

The corporation tax rate is 12,5% (2012:10%).

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (2012:15%). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

8. Non-current loans receivable

	2014 €	2013 €
Loans to related companies (Note 13)	<u>3.926.638</u>	4.926.715
Less current portion	<u>(1.819.451)</u>	(1.729.031)
Non-current portion	<u><u>2.107.187</u></u>	<u><u>3.197.684</u></u>

The exposure of the Company to credit risk is reported in note 3 of the financial statements.

The fair values of non-current receivables approximate to their carrying amounts as presented above.

9. Cash at bank

Cash balances are analysed as follows:

	2014 €	2013 €
Cash at bank	<u>395</u>	2.064
	<u><u>395</u></u>	<u><u>2.064</u></u>

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.

10. Share capital

	2014 Number of shares	2014 €	2013 Number of shares	2013 €
Authorised				
Ordinary shares of €1 each	<u>10.000</u>	<u>10.000</u>	10.000	10.000
Issued and fully paid				
Balance at 1 January	<u>1.000</u>	<u>1.000</u>	1.000	1.000
Balance at 31 December	<u><u>1.000</u></u>	<u><u>1.000</u></u>	1.000	1.000

11. Borrowings

	2014 €	2013 €
Non current borrowings		
Loans from shareholders (Note 13)	<u>3.693.372</u>	4.781.200

12. Payables

	2014 €	2013 €
Shareholders' current accounts - credit balances (Note 13)	-	10.465
Other creditors	<u>-</u>	<u>2</u>
	<u><u>-</u></u>	<u><u>10.467</u></u>

The fair values of payables due within one year approximate to their carrying amounts as presented above.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

13. Related party transactions

The following transactions were carried out with related parties:

13.1 Loan interest expense

	2014	2013
	€	€
For the year ended 31 December	<u>79.771</u>	<u>205.855</u>

13.2 Loan interest income

	2014	2013
	€	€
For the year ended 31 December	<u>161.900</u>	<u>223.746</u>

13.3 Loans receivable from related party (Note 8)

	2014	2013
	€	€
As at 31 December	<u>3.926.638</u>	<u>4.926.715</u>

Loans from related party amounting to €3.926.638 (2013: €4.926.715) carry interest at the rate of 3month libor plus 3% per annum and are repayable by the 30th June 2017.

13.4 Loans from shareholders (Note 11)

	2014	2013
	€	€
As at 31 December	<u>3.693.372</u>	<u>4.781.200</u>

Loans from shareholder amounting to €3.693.373 (2013: €4.781.200) carry interest at the rate of 3month libor plus 2,65% per annum and are repayable by the 30th June 2017.

13.5 Shareholders' current accounts - credit balances (Note 12)

	2014	2013
	€	€
As at 31 December	<u>-</u>	<u>10.465</u>

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

14. 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 auditor's report on pages 3 and 4

MARKELIA ENTERPRISES COMPANY LIMITED

DETAILED INCOME STATEMENT

Year ended 31 December 2014

	2014	2013
	€	€
Loan interest income	161.900	243.045
Loan interest expense	(79.771)	(205.855)
Operating expenses		
Administration expenses	17 <u>(3.637)</u>	<u>(1.251)</u>
Operating profit	78.492	35.939
Finance income	18 35.193	-
Finance costs	18 <u>(947)</u>	<u>(7.510)</u>
Net profit for the year before tax	<u>112.738</u>	<u>28.429</u>