

NEREGELIA TRADING LIMITED

REPORT AND FINANCIAL
STATEMENTS
31 December 2012

NEREGELIA TRADING LIMITED

REPORT AND FINANCIAL STATEMENTS 31 December 2012

CONTENTS	PAGE
Board of Directors and other Officers	1
Report of the Board of Directors	2 - 3
Independent auditor's report	4 - 5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Cash flow statement	9
Notes to the financial statements	10 - 21
Additional information to the Statement of comprehensive income	22 - 26

NEREGELIA TRADING LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Pavlina Tsiridou
Alfo Services Limited

Company Secretary:

Alfo Secretarial Limited

Independent Auditors:

KYPRIANIDES, NICOLAOU & ECONOMIDES LTD
Chartered Accountants
4 Evagora Papachristoforou str.,
Themis Court
3rd floor, office 301
3030 Limassol, Cyprus

Registered office:

Griva Digheni
Panayides Building
2nd floor, office 3
3030 Limassol, Cyprus

Bankers:

Marfin Popular Bank Public Company Ltd
Societe Generale

Registration number:

HE95511

NEREGELIA TRADING 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 2012.

Principal activity

The principal activity of the Company, which is unchanged from last year, is the general trading.

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.

Results

The Company's results for the are set out on page 6.

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 31 December 2012 and 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 2012.

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 των μελών the Board of Directors.

Events after the reporting period

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

On 22 March 2013 legislation was enacted by the House of Representatives of the Republic of Cyprus concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and they were enforced on 28 March 2013. The Company's operations will be affected by the extent and duration of these restrictive measures.

On 18 April 2013 legislation was enacted by the House of Representatives to increase the corporate tax from 10% to 12.5% with effect from 1 January 2013. Furthermore, legislation was enacted to increase the rate of special defence contribution from 15% to 30% on interest which does not arise from the ordinary course of business or is closely linked to it.

On 29 March 2013 the Central Bank of Cyprus issued Decrees relating to Laiki Bank and the Bank of Cyprus implementing measures for these two banks under the Resolution of Credit and Other Institutions Law of 2013.

The Company's cash held with banks affected from the above measures were below €100.000 as at the relevant date for implementation of the decisions, and hence are not affected.

NEREGELIA TRADING LIMITED

REPORT OF THE BOARD OF DIRECTORS

Independent Auditors

The Independent Auditors, KYPRIANIDES, NICOLAOU & ECONOMIDES LTD, 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,



Pavlina Tsiridou
Director

Limassol, 22 August, 2013

Independent auditor's report

To the Members of NEREGELIA TRADING LIMITED

Report on the financial statements

We have audited the financial statements of parent company NEREGELIA TRADING LIMITED (the "Company") on pages 6 to 21 which comprise the statement of financial position as at 31 December 2012, and the statements of comprehensive income, 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 the parent company NEREGELIA TRADING LIMITED as at 31 December 2012, 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 NEREGELIA TRADING LIMITED

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, 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 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 Law of 2009 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.



George Economides
Certified Public Accountant and Registered Auditor
for and on behalf of
KYPRIANIDES, NICOLAOU & ECONOMIDES LTD
Chartered Accountants

Limassol, 22 August, 2013

NEREGELIA TRADING LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	2012 €	2011 €
Revenue	4	295,333	640,986
Cost of sales		<u>(245,285)</u>	<u>(596,831)</u>
Gross profit		50,048	44,155
Other income	5	4,750,000	3,856,838
Selling and distribution expenses		(390,000)	-
Administration expenses		(405,528)	(52,545)
Other expenses	6	<u>-</u>	<u>(11,596)</u>
Operating profit		4,004,520	3,836,852
Finance costs	9	<u>(8,696)</u>	<u>(11,173)</u>
Profit before tax		3,995,824	3,825,679
Tax	10	<u>93,722</u>	-
Net profit for the year		4,089,546	3,825,679
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>4,089,546</u>	<u>3,825,679</u>

The notes on pages 10 to 21 form an integral part of these financial statements.


NEREGELIA TRADING LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Note	2012 €	2011 €
ASSETS			
Non-current assets			
Investments in subsidiaries	11	13,973,650	12,403,650
Deferred tax assets	15	93,722	-
		<u>14,067,372</u>	<u>12,403,650</u>
Current assets			
Trade and other receivables	12	2,615,950	248,135
Cash at bank and in hand	13	65,752	61,146
		<u>2,681,702</u>	<u>309,281</u>
Total assets		<u>16,749,074</u>	<u>12,712,931</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	14	17,100	17,100
Retained earnings		16,663,460	12,573,914
Total equity		<u>16,680,560</u>	<u>12,591,014</u>
Current liabilities			
Trade and other payables	16	68,514	121,917
		<u>68,514</u>	<u>121,917</u>
Total equity and liabilities		<u>16,749,074</u>	<u>12,712,931</u>

On 22 August, 2013 the Board of Directors of NEREGELIA TRADING LIMITED authorised these financial statements for issue.


.....
Pavlina Tsiroidou
Director


ALFO SERVICES LTD
.....
Alfo Services Limited
Director

NEREGELIA TRADING LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Share capital €	Retained earnings €	Total €
Balance at 1 January 2011		17,100	8,748,235	8,765,335
Comprehensive income				
Net profit year		-	3,825,679	3,825,679
Balance at 31 December 2011/ 1 January 2012		17,100	12,573,914	12,591,014
Comprehensive income				
Net profit		-	4,089,546	4,089,546
Balance at 31 December 2012		17,100	16,663,460	16,680,560

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 (up to 30 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) 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.

NEREGELIA TRADING LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2012

	Note	2012 €	2011 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,995,824	3,825,679
Adjustments for:			
Loss from the sale of property, plant and equipment		-	11,596
Dividend income	5	(4,750,000)	(3,800,000)
Interest income	5	-	(335)
Cash flows (used in)/from operations before working capital changes		(754,176)	36,940
(Increase)/decrease in trade and other receivables		(2,367,815)	1,120,705
(Decrease)/increase in trade and other payables		(53,403)	29,464
Cash flows (used in)/from operations		(3,175,394)	1,187,109
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	11	(1,570,000)	(4,995,000)
Proceeds from disposal of property, plant and equipment		-	9,300
Interest received		-	335
Dividends received		4,750,000	3,800,000
Net cash flows from/(used in) investing activities		3,180,000	(1,185,365)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in cash and cash equivalents		4,606	1,744
Cash and cash equivalents:			
At beginning of the year		61,146	59,402
At end of the year	13	65,752	61,146

The notes on pages 10 to 21 form an integral part of these financial statements.

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation

The Company NEREGELIA TRADING LIMITED (the "Company") was incorporated in Cyprus on 20 June, 1998 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at Griva Digheni, Panayides Building, 2nd floor, office 3, 3030 Limassol, Cyprus.

Principal activity

The principal activity of the Company, which is unchanged from last year, is the general trading.

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.

Users of these parent's separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2012 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and the Group

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 2012. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Standards and Interpretations adopted by the EU

New standards

- *IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).*

Amendments

IFRS Interpretations Committee

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Adoption of new and revised IFRSs (continued)

(i) Standards and Interpretations adopted by the EU (continued)

- *Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).*
- *Amendments to IAS 12 - "Deferred tax"; Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2012).*
- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2013).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013)*

New IFRICs

- *IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).*

(ii) Standards and Interpretations not adopted by the EU

New standards

- *IFRS 9 "Financial Instruments" issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. (effective for annual periods beginning on or after 1 January 2013).*

Amendments

- *Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013)*
- *Amendments to IFRS 1 – Government loans (effective for annual periods beginning on or after 1 January 2013).*
- *IFRS 9 "Financial Instruments" (issued 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011) (effective for annual periods beginning on or after 1 January 2015).*
- *Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).*
- *Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).*

The Board of Directors expects that the adoption of these standards in future periods will not have a material effect on the financial statements of the Company.

Subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **Sale of goods**

Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer, which is usually when the Company has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

- **Interest income**

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

- **Dividend income**

Dividend income is recognised when the right to receive payment is established.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

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

Income tax expense represents the sum of the tax currently payable and deferred 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.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

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.

Cash and cash equivalents

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

Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate 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.

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

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. 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:

- **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 profit or loss. 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 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.

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. Critical accounting estimates and judgments (continued)

- **Impairment of investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future undiscounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

4. Revenue

	2012	2011
	€	€
Sales of products	<u>295,333</u>	<u>640,986</u>
	<u>295,333</u>	<u>640,986</u>

5. Other income

	2012	2011
	€	€
Interest income	-	335
Dividend income	<u>4,750,000</u>	<u>3,800,000</u>
Other income	<u>-</u>	<u>56,503</u>
	<u>4,750,000</u>	<u>3,856,838</u>

6. Other expenses

	2012	2011
	€	€
Sundry expenses	<u>-</u>	<u>11,596</u>
	<u>-</u>	<u>11,596</u>

7. Expenses by nature

	2012	2011
	€	€
Changes in inventories of finished goods and work in progress	<u>245,285</u>	<u>596,831</u>
Staff costs (Note 8)	<u>18,027</u>	<u>20,725</u>
Auditors' remuneration	<u>2,500</u>	<u>2,500</u>
Loss on disposal of property, plant and equipment	<u>-</u>	<u>11,596</u>
Other expenses	<u>775,001</u>	<u>29,320</u>
Total expenses	<u>1,040,813</u>	<u>660,972</u>

8. Staff costs

	2012	2011
	€	€
Wages and salaries	<u>18,027</u>	<u>20,725</u>
	<u>18,027</u>	<u>20,725</u>

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

9. Finance costs

	2012 €	2011 €
Net foreign exchange transaction losses	-	225
Sundry finance expenses	<u>8,696</u>	<u>10,948</u>
	<u>8,696</u>	<u>11,173</u>

10. Tax

	2012 €	2011 €
Deferred tax - credit (Note 15)	<u>(93,722)</u>	-
Credit for the year	<u>(93,722)</u>	-

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

	2012 €	2011 €
Profit before tax	<u>3,995,824</u>	<u>3,825,679</u>
Tax calculated at the applicable tax rates	399,582	382,568
Tax effect of expenses not deductible for tax purposes	4,551	-
Tax effect of allowances and income not subject to tax	(475,000)	(378,839)
Tax effect of group tax relief	-	(3,729)
Tax effect of tax loss for the year	70,867	-
Deferred tax	<u>(93,722)</u>	-
Tax charge	<u>(93,722)</u>	-

The corporation tax rate is 10%.

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 30 August 2011). 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 (up to 30 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011).

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

11. Investments in subsidiaries

	2012 €	2011 €
Balance at 1 January	12,403,650	7,408,650
Additions	1,570,000	4,995,000
Balance at 31 December	13,973,650	12,403,650

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Holding %	2012 €	2011 €
Orbitko	Bosnia Herzegovina	Wholesale and retail	78.68	2,900,000	2,900,000
Neregelia Podgorica d.o.o	Montenegro	Wholesale and retail	100	52,663	52,663
Nelt Co	Serbia	Wholesale and retail	100	85,987	85,987
Corner shop d.o.o	Serbia	Retail	50	760,000	760,000
Nelt S.T.	F.Y.R.O.M	Wholesale and retail	100	10,175,000	8,605,000
				13,973,650	12,403,650

12. Trade and other receivables

	2012 €	2011 €
Trade receivables	122,800	149,005
Deposits and prepayments	150,000	303
Loans receivable	903,150	97,000
Deferred expenses	1,440,000	-
Refundable VAT	-	1,827
	2,615,950	248,135

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

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note of the financial statements.

13. Cash at bank and in hand

	2012 €	2011 €
Cash at bank	65,752	61,146
	65,752	61,146

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

	2012 €	2011 €
Cash at bank and in hand	65,752	61,146
	65,752	61,146

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

13. Cash at bank and in hand (continued)

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

14. Share capital

	2012 Number of shares	2012 €	2011 Number of shares	2011 €
Authorised				
Ordinary shares of €1,71 each	<u>10,000</u>	<u>17,100</u>	<u>10,000</u>	<u>17,100</u>
Issued and fully paid				
Balance at 1 January	<u>10,000</u>	<u>17,100</u>	<u>10,000</u>	<u>17,100</u>
Balance at 31 December	<u>10,000</u>	<u>17,100</u>	<u>10,000</u>	<u>17,100</u>

15. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 10). The applicable corporation tax rate in the case of tax losses is 10%.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The movement on the deferred taxation account is as follows:

Deferred tax assets

	Tax losses €
Balance at 1 January 2011	-
Balance at 31 December 2011/ 1 January 2012	-
Charged/(credited) to:	
Statement of comprehensive income (Note 10)	<u>93,722</u>
Balance at 31 December 2012	<u>93,722</u>

16. Trade and other payables

	2012 €	2011 €
Trade payables	66,014	119,417
Accruals	<u>2,500</u>	<u>2,500</u>
	<u>68,514</u>	<u>121,917</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

17. Operating Environment of the Company

The Cyprus economy has been adversely affected over the last few years by the international credit crisis and the instability in the financial markets. During 2012 there was a considerable tightening of financing availability from Cypriot financial institutions, mainly resulting from financial instability in relation to the Greek sovereign debt crisis, including the impairment of Greek Government Bonds, and its impact on the Cyprus economy. In addition, following its credit downgrades, the ability of the Republic of Cyprus to borrow from international markets has been significantly affected. The Cyprus government entered into negotiations with the European Commission, the European Central Bank and the International Monetary Fund, in order to obtain financial support.

The negotiations of the Cyprus Government with the European Commission, the European Central Bank and the International Monetary Fund (the 'Troika'), in order to obtain financial support, resulted in an agreement and decision of the Eurogroup on 25 March 2013 on the key elements necessary for a future macroeconomic adjustment programme which includes the provision of financial assistance to the Republic of Cyprus of up to €10 billion. The programme aims to address the exceptional economic challenges that Cyprus is facing, and to restore the viability of the financial sector, with a view to restoring sustainable economic growth and sound public finances in the coming years.

The Eurogroup decision on Cyprus includes plans for the restructuring of the financial sector and safeguards deposits below €100,000 in accordance with European Union legislation. In addition, the Cypriot authorities have reaffirmed their commitment to step up efforts in the areas of fiscal consolidation, structural reforms and privatizations. The Eurogroup requested the Cypriot authorities and the European Commission, in liaison with the European Central Bank, and the International Monetary Fund, to finalise the relevant Memorandum of Understanding in April 2013 which will then be followed by the formal approval of the Board of Directors of the European Stability Mechanism as well as by the ratification by Eurozone member states through national parliamentary (or equivalent) approval.

On 12 April 2013 the Eurogroup welcomed the agreement that has been reached between Cyprus and the Troika institutions regarding the macroeconomic adjustment programme for Cyprus, and stated that the necessary elements were in place to launch the relevant national procedures required for the formal approval of the European Stability Mechanism financial assistance facility agreement.

On 22 March 2013 legislation was enacted by the House of Representatives of the Republic of Cyprus concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and they were enforced on 28 March 2013. The Company's management is monitoring the developments in relation to these capital controls and is assessing the implications on the Company's operations.

The uncertain economic conditions in Cyprus, the unavailability of financing, the impairment loss incurred on bank deposits and the imposition of the above mentioned capital controls together with the current instability of the banking system and the anticipated overall economic recession, could affect:

- the ability of the Company to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions
- the ability of the Company's trade and other debtors to repay the amounts due to the Company
- the ability of the Company to sell its existing inventories to customers
- the cash flow forecasts of the Company's management in relation to the impairment assessment for financial and non-financial assets

The economic conditions disclosed above together with the impact of the results of the Eurogroup decision of 25 March 2013 for Cyprus may have an adverse impact on the Company's debtors (inability to meet their obligations towards the Company), suppliers (inability to continue trading), valuation of real estate, bankers (inability to provide adequate finance), revenue (decreased demand for the Company's products or services due to decreased purchasing power by consumers).

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

17. Operating Environment of the Company (continued)

The Company's management has assessed:

- (1) whether any impairment provisions are deemed necessary for the Company's financial assets carried at amortised cost by considering the economic situation and outlook at the end of the reporting period. Provisions for trade receivables are determined using the incurred loss model required by the applicable accounting standards. These standards require recognition of impairment losses for receivables that arose from past events and prohibit recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The Company's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Company.

On the basis of the evaluation performed, the Company's management has concluded that no provisions or impairment charges are necessary.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

18. Related party transactions

The following transactions were carried out with related parties:

18.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2012	2011
	€	€
Directors' fees	<u>900</u>	<u>900</u>
	<u>900</u>	<u>900</u>

18.2 Loans to subsidiary companies

	2012	2011
	€	€
Corner shop d.o.o	349,000	24,000
Neregelia Podgorica d.o.o	500,000	-
Nelt Co	<u>54,150</u>	<u>73,000</u>
	<u>903,150</u>	<u>97,000</u>

The loans to the above subsidiary companies were provided interest free, and there was no specified repayment date.

19. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2012.

20. Commitments

The Company had no capital or other commitments as at 31 December 2012.

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

21. Events after the reporting period

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

On 22 March 2013 legislation was enacted by the House of Representatives of the Republic of Cyprus concerning restrictive measures in respect of transactions executed through the banking institutions operating in Cyprus. The extent and duration of the restrictive measures are decided by the Minister of Finance and the Governor of the Central Bank of Cyprus and they were enforced on 28 March 2013. The Company's operations will be affected by the extent and duration of these restrictive measures.

On 18 April 2013 legislation was enacted by the House of Representatives to increase the corporate tax from 10% to 12.5% with effect from 1 January 2013. Furthermore, legislation was enacted to increase the rate of special defence contribution from 15% to 30% on interest which does not arise from the ordinary course of business or is closely linked to it.

On 29 March 2013 the Central Bank of Cyprus issued Decrees relating to Laiki Bank and the Bank of Cyprus implementing measures for these two banks under the Resolution of Credit and Other Institutions Law of 2013.

The Company's cash held with banks affected from the above measures were below €100,000 as at the relevant date for implementation of the decisions, and hence are not affected.

Independent auditor's report on pages 4 and 5

NEREGELIA TRADING LIMITED

DETAILED INCOME STATEMENT

Year ended 31 December 2012

	Page	2012 €	2011 €
Revenue			
Sales of products		295,333	640,986
Cost of sales	23	<u>(245,285)</u>	<u>(596,831)</u>
Gross profit		50,048	44,155
Other operating income			
Bank interest		-	335
Dividend income		4,750,000	3,800,000
Other income		<u>-</u>	<u>56,503</u>
		4,800,048	3,900,993
Operating expenses			
Administration expenses	24	<u>(405,528)</u>	<u>(52,545)</u>
Selling and distribution expenses	24	<u>(390,000)</u>	<u>-</u>
		4,004,520	3,848,448
Other operating expenses			
Loss on disposal of property, plant and equipment		<u>-</u>	<u>(11,596)</u>
Operating profit		4,004,520	3,836,852
Finance costs	25	<u>(8,696)</u>	<u>(11,173)</u>
Net profit for the year before tax		<u>3,995,824</u>	<u>3,825,679</u>

NEREGELIA TRADING LIMITED

COST OF SALES

Year ended 31 December 2012

	2012 €	2011 €
Cost of sales		
Purchases	<u>245,285</u>	<u>596,831</u>
	<u>245,285</u>	<u>596,831</u>

NEREGELIA TRADING LIMITED

OPERATING EXPENSES

Year ended 31 December 2012

	2012 €	2011 €
Administration expenses		
Directors' fees	900	900
Staff salaries	17,127	19,825
Rent	4,260	4,102
Annual levy	350	350
Electricity	320	499
Insurance	587	1,808
Sundry expenses	-	45
Telephone and postage	137	132
Courier expenses	260	-
Auditors' remuneration	2,500	2,500
Legal fees	16,648	7,904
Secretarial fees	450	750
Registered office fees	300	-
Legal and professional	560	1,025
Overseas travelling	279	7,593
Inland travelling and accommodation	-	391
Entertaining	-	2,700
Cleaning expenses	-	257
Fuel	-	850
Compensation costs	360,000	-
Spare parts	850	914
	405,528	52,545

	2012 €	2011 €
Selling and distribution expenses		
Market research expenses	390,000	-
	390,000	-

NEREGELIA TRADING LIMITED

FINANCE COSTS

Year ended 31 December 2012

	2012 €	2011 €
Finance costs		
Sundry finance expenses		
Bank charges	8,696	10,948
Net foreign exchange transaction losses		
Realised exchange loss	-	225
	<u>8,696</u>	<u>11,173</u>

NEREGELIA TRADING LIMITED

COMPUTATION OF CORPORATION TAX

Year ended 31 December 2012

	Page	€	€
Net profit per income statement	22		3,995,824
<u>Add:</u>			
Annual levy		350	
Deemed interest 5% on loans to subsidiaries		<u>45,158</u>	
			<u>45,508</u>
			4,041,332
<u>Less:</u>			
Dividends received		<u>4,750,000</u>	
			<u>(4,750,000)</u>
Net loss for the year			(708,668)
Loss brought forward			<u>(54,236)</u>
Loss carried forward			<u>(762,904)</u>