SARANTIS SKOPJE DOOEL, Skopje

Financial Statements and
Independent Auditors' Report
for the year ended December 31, 2014

This is an English translation of the original Report issued in Macedonian language.

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JVK | Audit. Tax. Consulting.

JVK Ltd. - Skopje
a: Petar Pop Arsov 8/1
1000 Skopje, Macedonia

t: +389 (0)2 521 99 06
e: info@jvk.com.mk

INDEPENDENT AUDITOR'S REPORT

TO THE OWNER OF SARANTIS SKOPJE DOOEL, Skopje

Report on the Financial Statements

We have audited the accompanying financial statements (page 3 to 22) of SARANTIS SKOPJE dooel, (hereinafter referred to as the "Company"), which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(continued)

INDEPENDENT AUDITOR'S REPORT

TO THE OWNER OF SARANTIS SKOPJE DOOEL, Skopje (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with accounting standards applicable in the Republic of Macedonia.

Report on Other Legal and Regulatory Requirements

Management is also responsible for the preparation of the Company's annual report (Appendix 1 to the accompanying financial statements) and the Company's annual accounts (Appendix 2 to the accompanying financial statements) in accordance with the Company law. Our responsibility is to express an opinion on the consistency of the Company's annual report with its annual accounts and its financial statements for the year ended 31 December 2014. We have performed our procedures in accordance with International Standard on Auditing 720 – The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

In our opinion, historical financial information disclosed in the Company's annual report is consistent with its annual accounts and accompanying financial statements for the year ended 31 December 2014.

JVK doo, Skopje

ЈВК ДОО СКОПЈЕ

Jovica Stojchevski
Director

Jovica Stojchevski
Certified Auditor

Skopje
27 February 2015

STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2014
(In thousands of Denars)

	Note	2014	2013
Revenue			
Revenue from sales	5	178.073	163.654
Other income	6	810	503
		178.883	164.157
Expenses			
Purchase value of goods sold		(84.319)	(77.628)
Staff costs	7	(15.872)	(15.432)
Depreciation	11	(3.010)	(2.965)
Bad debts provision and write off		(72)	(881)
Other expenses	8	(37.420)	(31.130)
		(140.693)	(128.036)
Profit from operations		38.190	36.121
Financial income/(expenses), net	9	6.383	6.989
Profit before tax		44.573	43.110
Income tax	10	(4.529)	(146)
Net profit for the year		40.044	42.964
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		40.044	42.964

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Company's management on February 16, 2015.

Petar Labudovic
Director

Друштво за трговија САРАНТИС-СКОПЈЕ Скопје 1 експорт-импорт ДООЕЛ

Lujza Stevanovska
Accounting Manager

This is an English translation of the original Report issued in Macedonian language.

STATEMENT OF FINANCIAL POSITION
At December 31, 2014
(In thousands of Denars)

	Note	2014	2013
ASSETS			
Non-current assets			
Equipment	11	7.339	5.640
Intangible assets	11	567	737
Long-term financial assets	12	-	71.353
Total non-current assets		7.906	77.730
Current assets			
Inventories	13	24.082	22.436
Trade and other receivables	14	102.787	115.302
Cash and cash equivalents	15	176.015	57.885
Total current assets		302.884	195.623
TOTAL ASSETS		310.790	273.353
EQUITY AND LIABILITIES			
Equity			
Paid-in capital	16	27.517	27.517
Reserves	16	11.474	11.474
Retained earnings		264.250	224.206
Total equity		303.241	263.197
Current liabilities			
Trade and other payables	17	7.549	10.156
TOTAL EQUITY AND LIABILITIES		310.790	273.353

The accompanying notes are an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2014
(In thousands of Denars)

	Paid-in capital	Reserves	Retained earnings	Total
Balance, 1 January 2013	27.517	11.474	181.242	220.233
Other comprehensive income for the year, net of tax	-	-	-	-
Net profit for the year	-	-	42.964	42.964
Balance, 31 December 2013	27.517	11.474	224.206	263.197
Balance, 1 January 2014	27.517	11.474	224.206	263.197
Other comprehensive income for the year, net of tax	-	-	-	-
Net profit for the year	-	-	40.044	40.044
Balance, 31 December 2014	27.517	11.474	264.250	303.241

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended December 31, 2014
(In thousands of Denars)

	Note	2014	2013
Cash flows from operating activities			
Profit before tax		44.573	43.110
Adjustment for:			
Depreciation		3.010	2.965
Bad debts provision and write off		72	219
Impairment of AFSFA (long-term financial assets)		-	662
(Gain) on disposal of fixed assets		(701)	(440)
Interest income		(5.345)	(7.065)
Operating profit before working capital changes		41.609	39.451
(Increase)/decrease of inventories		(1.646)	(643)
(Increase)/ decrease of trade and other receivables		9.056	(37.610)
Increase/ (decrease) of trade and other payables		(6.965)	2.173
Cash generated from/ (used in) operating activities		42.054	3.371
Income tax paid		(171)	(193)
Net cash flows generated/(used in) from operating activities		41.883	3.178
Cash flows from investing activities			
Purchase of equipment		(4.539)	(1.767)
Proceeds from disposal of fixed assets		701	440
Interest income received		8.732	6.472
Net cash flows generated/(used in) from investing activities		4.894	5.145
Cash flows from financing activities			
Loans placements, net		71.353	30.737
Net cash flows used in financing activities		71.353	30.737
Net increase/ (decrease) in cash and cash equivalents		118.130	39.060
Cash and cash equivalents at 1 January	15	57.885	18.825
Cash and cash equivalents at 31 December	15	176.015	57.885

The accompanying notes are an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

1. GENERAL INFORMATION

SARANTIS SKOPJE dooel, Skopje (the "Company") is a limited liability company established in Republic of Macedonia. The Company's headquarter is registered on Street Prvomajska bb, Kisela Voda, Skopje. The sole owner of the Company is Sarantis doo trgovija i nudenje uslugi, Belgrade, Serbia which owns 100% of the Company's stake capital. The Company is registered in the Central Registry of the Republic of Macedonia. Its ID number is 5167574 and its tax number is 4030997255535.

The Company's principal activity is trading of cosmetics products (Codes from the National business classification of business – 46.45 and 47.75).

As of 31 December 2014 the total number of employees was 25 employees (2013: 25 employees).

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of preparation and presentation of the financial statements

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the Company Law and International Financial Reporting Standards ("IFRS") which are applicable in the Republic of Macedonia (Rulebook for Accounting Standards, Official Gazette of RM no.159/09 and 164/10).

According to the Company Law, the amendments to the newly-issued IFRS released after the adoption of the aforementioned Rulebook, are updated and published on an annual basis and for the year 2014 are still not yet updated and published and accordingly, they have not been applied in the preparation of accompanying financial statements. The management is assessing the impact to the financial statements associated with changes to the newly-issued IFRS and its Interpretations and believes that these changes are not applicable to the Company's operations.

Consequently, the Company's management does not express an explicit and unreserved statement of compliance of the accompanying financial statements with IFRS, which have been applied in the periods presented in the accompanying financial statements.

The Company prepares its annual statements in the format prescribed by the Ministry of Finance, which in some respects differs from the presentation of certain items as required under IAS 1 - Presentation of Financial Statements. Certain reclassifications have been made to present the accompanying financial statements in the format prescribed by that standard.

The financial statements are prepared on the historical cost basis. Current and comparative data are expressed in thousands of Denars, unless otherwise stated. Macedonian Denar is the Company's functional and the presentation currency for statutory purposes.

A summary of the principal accounting policies applied in preparing the statutory financial statements are set out within Note 3 to the financial statements.

2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS (continued)

2.2 Use of estimates

The presentation of the financial statements requires the Company's management make best estimates and reasonable assumptions that influence the: assets and liabilities amounts, the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, as well as the income and expenses arising during the accounting period. These estimations and assumptions are based on information available as of the date of preparation of the financial statements and future actual results may vary from these estimates.

Information about significant areas of estimation uncertainty and critical estimates in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue recognition

The revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized when all of the following conditions are met:

- when significant risks and rewards of ownership of the goods are transferred to the buyer;
- the Company does not hold neither continuing managerial involvement nor effective control over the goods sold;
- these benefits can be measured reliably;
- when it is probable that future economic benefits will flow to the Company; and
- the costs associated with the transaction can be reliably measured.

Revenue are recorded at the moment they accrue. Revenues are measured at the invoiced amount, less discounts and value added tax.

3.2 Foreign exchange translation

Transactions denominated in foreign currencies have been translated into Denars at rates set by the National Bank of the Republic of Macedonia as of the transaction date. Assets and liabilities denominated in foreign currencies are translated at the balance sheet date using official rates of exchange.

Net foreign exchange gains or losses, resulting from foreign currency translation, are included in the income statement in the period in which they arose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Employee benefits

Health, pension and social insurance contributions from gross wages and net salaries are being paid by the Company during the year to the national organizations at the statutory rates. Such contributions represent defined contribution benefit plans and are recognized as an expense when employees have rendered services entitling them to the contributions. There is no additional liability to these plans.

In accordance with the statutory requirements, the Company is obliged to pay to its employees a termination pay upon retirement equal to two monthly average salaries. The Company has not provided for the employees' accrued entitlement to severance pay on retirement as it is considered that the amount that eventually would be included for post-retirement benefits obligations as of December 31, 2014 and 2013 would not be material if an actuarial estimate was completed.

3.4 Taxes

Current income tax

For fiscal year 2014, current income tax is calculated on the taxable profit in accordance with the income tax regulation, which is based on the accounting profit or loss as presented in the income statements prepared in accordance with the domestic accounting regulation adjusted with items of income/purchases of fixed assets and expenses which are deductable or taxable. The income tax rate is 10%

For fiscal year 2013, current income tax is calculated in accordance with income tax regulation, based on which final income tax is calculated at a rate of 10% on certain expense items, which represent tax-non-deductable expenses.

Deferred tax

Deferred income tax is provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The currently enacted tax rates at the balance sheet date are used to determine the deferred income tax.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences and the tax effects are carried forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference may be utilized.

There were no taxable or deductable temporary differences for the year ended December 31, 2014 and 2013 and consequently no deferred taxes have been recognized in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Taxes (continued)

Value added tax

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

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

3.5 Equipment

Equipment is recorded at cost less accumulated depreciation and accumulated impairment loss, if any.

The initial cost of equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Maintenance and repairs costs are charged in the income statement as they are incurred.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The annual depreciation rates applied as follows:

Furniture	20%
Computer equipment	25%
Vehicles	25%
Other	10%-20%

When depreciable assets are retired or otherwise disposed of, the related cost and accumulated depreciation is removed from the respective accounts. Any gains or losses on disposal are recognized in profit or loss.

3.6 Intangible assets

Intangible assets are comprised of acquired computer software licenses which are capitalized on the basis of costs incurred in acquiring and bringing the specific software into use. These costs are amortized over their estimated useful lives with annual amortization rate of 25%.

3.7 Impairment of fixed assets

The Company regularly reviews the carrying amount of its tangible assets. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Inventories

Inventories are measured at the lower of cost and net realizable value. Cost consists of the costs of purchase and other costs of bringing the inventories to their present location and condition. Net releasable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3.9 Financial instruments

Financial assets and financial liabilities are recognized in the Company's balance sheet on the date upon which the Company becomes counterparty to the contractual provisions of a specific financial instrument. Financial assets are derecognized when the Company loses control of the contractual rights governing such instruments; which occurs when the rights of use of such instruments have been realized, expired, abandoned, and/or ceded. Financial liabilities are derecognized when the Company fulfills the obligations, or when the contractual repayment obligation has either been cancelled or has expired.

Long-term financial assets

Long-term financial assets are recorded at cost, less any impairment, if any.

Trade and other receivables

Trade and other receivables are stated at their nominal value less allowance for impairment that is based on the management's best estimate of the collectability of such amounts. Provisions for impairment of the receivables are formed in case there is objective evidence that the Company will not be able to collect its receivables in full under contractually agreed terms. Significant financial difficulties of customers, probability that the customer will enter liquidation proceedings or will not be able to settle its dues in a timely manner are all indications of the impairment in such receivables.

Provisions for impairment losses

The provision for impairment losses is based upon the year-end evaluation of trade and other receivables taking into consideration their deemed recoverability, which is based on the level of overdue receivables, on an assessment of the debtor's financial position, and on the quality of any collateral secured. Provisions for impairment losses are charged against income and are shown as a reducing item of the assets in the balance sheet.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in denars and foreign currency at banks and cash box.

Trade and other payables

Trade payables and other liabilities are stated at their fair value. After initial recognition, trade and other payables are measured at amortized cost.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The presentation of the financial statements requires the Company's management to make best estimates and reasonable assumptions that influence assets and liabilities amounts, the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, as well as disclosed income and expenses arising during the accounting period. These estimations and assumptions are based on information available as of the date of preparation of the financial statements and future actual results may vary from these estimates. Key assumptions relating to the future events and other significant sources of uncertainties in rendering an estimate as of the balance sheet date, which bears the risk that may lead to significant restatement of the carrying amount of assets and liabilities are the following:

Provision for bad and doubtful receivables

Provision for bad and doubtful receivables is calculated based on the estimated losses arising from inability of the clients to fulfill their obligations by applying relevant management decisions. In assessing adequacy of the provision, the estimate is based on historical experience, client's asset ability and their future clients' behavior and corresponding collection.

Fair value

In the Republic of Macedonia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result, the fair value cannot readily or reliably be determined in the absence of an active market. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

Global market crises

The Company has been impacted by the recent financial crisis and deteriorating economic conditions. Due to the current global crisis in the market and its effects on the local market in Macedonia, the Company will probably operate in more difficult and uncertain economic environment in 2015, and possibly beyond. The impact of this crisis on the Company's business operations is currently not possible to fully predict and therefore there is an element of general uncertainty. So far, the ongoing financial crisis has had a limited impact on the financial position and performance of the Company. The deteriorating economic situation in the country will probably impact the position of certain industries and abilities of some clients to meet their obligations on time. This may consequently influence the amount of the Company's calculation of provisions in 2015 and other areas that require estimates to be made by management. The key priorities of the Company in 2015 will be attention on the management of the Company's client portfolio by adjusting it to the changing economic environment and maintaining the Company's position on the market.

Useful life of assets

The determination of the useful lives of assets is based on historical experience with similar assets as well as any anticipated technological development and changes in broad economic, industry factors or local market. The appropriateness of the estimated useful lives is reviewed regularly, or whenever there is an indication of significant changes in the underlying assumptions.

5. REVENUE FROM SALES

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

	In thousands of Denars Year ended December 31, 2014	 2013
Revenue from sales of goods on domestic market	149.125	139.501
Revenue from sales of goods on foreign market	28.948	24.153
	178.073	163.654

6. OTHER REVENUE

	In thousands of Denars Year ended December 31, 2014	 2013
Gain on sale of fixed assets	701	440
Other	109	63
	810	503

7. STAFF COSTS

	In thousands of Denars Year ended December 31, 2014	 2013
Net salaries	10.784	10.444
Taxes and social contributions on salaries	5.088	4.988
	15.872	15.432

8. OTHER EXPENSES

	In thousands of Denars Year ended December 31, 2014	2013
Materials	381	356
Energy and gasoline	2.263	2.345
Communication costs	374	484
Maintenance	1.101	877
Rent	3.444	3.218
Services	2.648	1.610
Advertising and promotion	8.575	7.828
Insurance	797	683
Bank charges	676	315
Credit notes for sale of goods (annual etc)	13.274	9.997
Other expenses	3.887	3.417
	37.420	31.130

9. FINANCIAL INCOME/(EXPENSES), NET

	In thousands of Denars Year ended December 31, 2014	2013
Interest income	5.345	7.065
Exchange gains	1.389	528
Other financial income	1.100	-
Exchange losses	(1.451)	(604)
	6.383	6.989

10. INCOME TAX

	In thousands of Denars Year ended December 31 2014	2013
Income before tax	44.573	43.110
Income tax at rate of 10% (2013: 0%)	4.457	4.311
Income tax allowance as a result of tax regulation	-	(4.311)
Income tax on tax not allowed expenses	150	146
Income tax allowance on fiscal equipment purchase	(78)	-
Income tax at effective rate	4.529	146

11. EQUIPMENT AND INTANGIBLE ASSETS

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

	In thousand of Denars		
	Equip-ment and furniture	Intangible assets	Total
Cost			
Balance, 1 January 2014	17.099	2.567	19.666
Additions	4.494	45	4.539
Disposals	(2.546)	-	(2.546)
Balance, 31 December 2014	19.047	2.612	21.659
Accumulated depreciation			
Balance, 1 January 2014	11.459	1.830	13.289
Disposals	(2.546)	-	(2.546)
Charge for the year	2.795	215	3.010
Balance, 31 December 2014	11.708	2.045	13.753
Net book value			
At 31 December 2013	5.640	737	6.377
At 31 December 2014	7.339	567	7.906

12. LONG-TERM FINANCIAL ASSETS

	In thousands of Denars	
	December 31, 2014	December 31, 2013
Investment in entities which are not listed on stock exchange	662	662
Provision for impairment	(662)	(662)
Long-term loans	-	71.353
	-	71.353

Long-term loans relate to a loan given to the company Gr. Sarantis Cyprus, Nicosia, Cyprus. Interest rate is 8% p.a.

13. INVENTORIES

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

	In thousands of Denars	
	December 31, 2014	December 31, 2013
Small inventory	1.019	844
Provision for small inventory	(1.019)	(844)
Trade goods	24.082	22.436
	24.082	22.436

14. TRADE AND OTHER RECEIVABLES

	In thousands of Denars	
	December 31, 2014	December 31, 2013
Trade receivables domestic	30.906	32.048
Trade receivables foreign	8.434	6.783
Interest receivables	-	3.387
Advances given	63.110	72.813
Prepaid expenses and other receivables	337	271
	102.787	115.302

15. CASH AND CASH EQUIVALENTS

	In thousands of Denars	
	December 31, 2014	December 31, 2013
Cash in banks in Denars	50.617	26.111
Cash in cash-box in Denars	35	24
Cash in banks in foreign currency	125.363	750
Time deposits in banks in Denars	-	31.000
	176.015	57.885

16. PAID-IN CAPITAL AND RESERVES

Paid-in capital

The Company's paid-in capital as of 31 December 2014 consists of fully paid-in capital of the sole owner - Sarantis doo trgovija i nudenje uslugi, Belgrade, Serbia which owns 100% of the Company's stake capital.

Reserves

Legal reserves

The legal reserves are regulated by the local Company Law, according to which companies are required to allocate to this reserve a percentage of their annual net profit. Such allocation is made until the balance of the reserve reaches 1/10 of the Company's stake capital. The statutory reserve may be used only for covering losses if the balance does not exceed the above legal minimum; any excess above this amount based on the previous decision of the stakeholders may be distributed for dividends. These reserves at 31 December 2014 amount to Denar 5.503 thousand (2013: 5.503 thousand).

Revaluation reserves

Those reserves arise from prior revaluation of fixed assets based on prior regulation. These reserves at 31 December 2014 and 2013 amount to Denar 5.971 thousand.

17. TRADE AND OTHER PAYABLES

	In thousands of Denars	
	December 31, 2014	December 31, 2013
Trade payables domestic	287	3.522
Trade payables foreign	1.276	5.695
VAT payable	1.405	904
Income tax payable	4.379	-
Other payables	202	35
	7.549	10.156

18. RELATED PARTY TRANSACTIONS

The balances of the related parties as of 31 December 2014 and 2013 as follows:

	In thousands of Denars	
	December 31, 2014	December 31, 2013
Sarantis SA, Greece		
Advances given	39.706	72.813
Sarantis doo, Belgrade, Serbia		
Advances given	23.404	-
Trade payables foreign	-	4.596
Gr. Sarantis Cyprus, Nicosia, Cyprus		
Long-term loans	-	71.353
Interest receivable	-	3.387
Sarantis Banja Luka, Bosnia		
Trade debtors foreign	455	-

Sarantis SA, Greece represents ultimate parent company. Other entities are fellow subsidiaries of Sarantis Group of companies. Transactions with the above related parties are performed at mutually agreed terms.

19. FINANCIAL INSTRUMENTS

19.1 Capital risk management

The Company manages its capital in the manner which needs to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders.

The structure of Company's equity comprises the paid-in capital, reserves and retained earnings.

The management reviews the capital structure on a regular basis. As a part of this review, the Management considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

The gearing ratio as of December 31, 2014 and 2013 was as follows:

	In thousand of Denars	
	31 December	
	2014	**2013**
Loans and borrowings	-	-
Less: Cash and cash equivalents	(176.015)	(57.885)
	(176.015)	(57.885)
Total equity	(303.241)	(263.197)
Debt to equity ratio	n/a	n/a

n/a – not applicable

Minimum paid-in capital

In accordance with the Company Law, the minimum amount of paid-in capital equals to EUR 5.000. As of December 31, 2014, the Company's paid-in capital was Denar 27.517 thousand.

19.2 Significant accounting policies related to financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized in respect of each class of financial asset and financial liabilities are disclosed in Note 3 to the financial statements.

19. FINANCIAL INSTRUMENTS (continued)

19.3 Categories of financial instruments

	In thousand of Denars	
		31 December
	2014	2013
Financial assets		
Long-term financial assets	-	71.353
Trade and other receivables	102.787	115.302
Cash and cash equivalents	176.015	57.885
	278.802	244.540
Financial liabilities		
Trade and other payables	7.549	10.156

Financial risks management objectives

Financial risks include market risk (primarily currency risk while interest risk is not applicable at the moment as the Company does not have any loans and borrowings with the variable interest rate, except long-term loans given with a fixed interest rate), credit risk and liquidity risk. Financial risks are monitored on a timely basis, and are mitigated primarily through the reduction of the Company's exposure to those risks. The Company does not use any special financial instruments to hedge against these risks since such instruments are not commonly used in the Republic of Macedonia.

Responsibility for the strategy and control of managing risks lies with the management of the Company. All identified risks on the level of the Company are measured with methods that are approved from the Company's management and on the level of Sarantis Group, which is responsible for improvement and development of the methods, models and procedures in use, as well as recommendations for their implementation within the Group. There are clear organizational structure and risk management processes in place covering all categories under control of the Company.

Risk management is performed on the basis of the policies and approved by the management of the Company and Sarantis Group.

Foreign currency risk management

The Company's activities are exposed primarily to the financial risks related to changes in foreign currency exchange rates. There has been no change to the Company's exposure to this risk or in the manner in which it manages and measures it.

The Company is exposed to foreign currency risk primarily to trade receivables and trade payables denominated in foreign currencies. The Company does not apply any special financial instruments as a hedge against these risks since such instruments are not in common use in the Republic of Macedonia. The Company is exposed to EUR fluctuations.

19. FINANCIAL INSTRUMENTS (continued)

19.3 Categories of financial instruments (continued)

Interest rate risk management

The Company is not exposed to interest rate risk arising from changes in interest rates as it does not have financial assets and financial liabilities with variable interest rates when they have been placed/obtained.

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss in the Company.

Trade receivables domestic relate to a relatively big number of customers from different geographical areas in the Republic of Macedonia. As of 31 December 2014, the Company did not have significant concentration of credit risk towards specified customers, except to bigger trading companies.

The carrying amount of financial assets stated in the financial statements and its gross value less allowances for impairment represents the maximum exposure to credit risk. Financial assets are not secured with respective collateral.

Financial assets which are between 90-180 days past due, as well as amounts due from a client that has no financial and liquidity problems are not treated as impaired, except in case where there is objective evidence of the opposite.

Liquidity risk management

Liquidity risk represents a risk of the Company's inability to provide sufficient monetary assets to settle its monetary liabilities when they come due.

Liquidity risk could be result of inability to sell financial assets at their fair value, inability to settle liabilities arising from the contracts, liabilities for payment come due earlier then their expected time or inability to generate enough cash in accordance with the expectations.

The most significant risk the Company is facing are repayments of trade payables foreign which majority relate to parent company and other companies of Sarantis Group, and is managed based on appropriate ratio of collection from trade debtors and advances given to parent company and other entities from Sarantis Group.

The Company has cash in bank, as well as possibility for continuing support from its parent company, to protect itself from unpredictable risk in order to be able to repay its liabilities and contingent liabilities as they mature.

The Company's remaining contractual maturity of its financial liabilities is short-term.

19. FINANCIAL INSTRUMENTS (continued)

19.4 Fair value of financial instruments

The following table presents the carrying amount of the financial assets and financial liabilities to their fair value as of December 31, 2013 and 2012:

In thousand of Denars

	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Long-term financial assets	-	-	71.353	71.353
Trade and other receivables	102.786	102.787	115.302	115.302
Cash and cash equivalents	176.015	176.015	57.885	57.885
	278.802	278.802	244.540	244.540
Financial liabilities				
Trade and other payables	7.549	7.549	10.156	10.156

Assumptions used in determining the fair value of financial assets and liabilities

Considering the fact that sufficient market experience, stability and liquidity do not exist for the purchase and sale of financial assets or liabilities, given that published market information is not readily available for the purposes of disclosing the fair value information of the aforementioned financial assets and liabilities, the Company considers that there is no significant discrepancy between the carrying amounts of its financial assets and liabilities compared to their fair value if it applies well known valuation technique that relies upon discounted cash flow analyses, using current market information for similar transactions in order to provide reliable estimates of prices obtained in actual market transactions.

20. TAXATION RISK

The Republic of Macedonia tax legislation is subject to varying interpretations and changes occur frequently. The interpretation of tax legislation by tax authorities as applied to the transactions and activities of the Company may not concur with the views of the Company's management. As a result, transactions may be challenged by tax authorities and the Company may be assessed additional taxes, penalties and interest. The periods remain open to review by the tax authorities with respect to tax liabilities for ten years.

21. EXCHANGE RATES

Official exchange rate of the National Bank of the Republic of Macedonia applied for balance sheet items denominated in foreign currency as of December 31, 2014 and 2013 is as follows:

In Denars

	2014	2013
EUR	61.4814	61.50