Grant Thornton

Financial statements and Independent Auditors' Report

Mermeren Kombinat AD, Prilep

31 December 2019

Contents

To the Management
and Shareholders of
Mermeren
Kombinat AD,
Prilep

Independent Auditors' Report

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Opinion

We have audited the accompanying financial statements of Mermeren Kombinat AD, Prilep (the "Company"), which comprise the Statement of financial position as at 31 December 2019, and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Mermeren Kombinat AD, Prilep as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements of the Company, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Risk of fraud in revenue recognition ISAs presume there is a risk of fraud in revenue recognition on every audit engagement. We focused on recognition of revenue because there is a risk of intentional overstatement of revenues by management in order to meet sales target and secure performance incentives. In addition, there is a risk that the Company may have not properly recorded revenue transactions regarding sales returns and rebates at year end. Related accounting policies, judgments and estimates are disclosed in Note 2.20 in the accompanying financial statements.	We assessed the consistency of the application of the revenue recognition policy by reconsidering the accounting policy for the different sources of the Company's revenues. We tested the design and operating effectiveness of the controls over revenue systems to determine the extent of additional substantive testing required. We found no material misstatements from our testing. We checked that revenue had been recognized at the correct time by testing a sample of transactions and comparing the shipping dates against which the revenue had been recognized. No exceptions were noted from our testing.
Risk of management override of internal controls Based on both ISA and our audit methodology, management override of controls should be considered as a significant risk on every audit engagement. Management may directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	We tested the appropriateness of journal entries recorded in the general ledger by making inquiries of individuals involved in the financial reporting process about inappropriate and unusual activity and tested journal entries. We considered whether there was evidence of bias by Management in the significant accounting estimates and judgements relevant to the financial statements. We also assessed the overall control environment of the Company and interviewed senior management.

Responsibilities of Management for the Financial Statements

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

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

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The management of the Company is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Skopje,

13 March 2020

Grant Thornton DOO, Skopje

Друштво за ревизија ГРАНТ ТОРНТОН ДОО Скопје

Director
Marjan Andonov

Certified Auditor
Maja Atanasovska

Statement of financial position

	Note	(Amounts in Euro) 31 December 2019	31 December 2018
Assets			
Non-current assets			
Property, plant and equipment	5	13,174,619	9,512,198
Intangible assets	6	1,576,461	1,522,463
		14,751,080	**11,034,661**
Current assets			
Inventories	8	5,410,516	4,854,641
Trade and other receivables	9	8,564,561	2,138,012
Financial receivables	10	3,536,422	5,009,889
Cash and cash equivalents	11	9,169,255	21,925,941
		26,680,754	**33,928,483**
Total assets		**41,431,834**	**44,963,144**
Equity			
Shareholders' equity			
Share capital	12	4,686,858	4,686,858
Other components of equity		9,085,499	13,226,103
Retained earnings		24,711,240	23,258,739
Total shareholders' equity		**38,483,597**	**41,171,700**
Liabilities			
Non – current liabilities			
Borrowings	13	983,823	1,141,235
		983,823	**1,141,235**
Current liabilities			
Borrowings	13	157,412	157,412
Trade and other payables	14	1,430,444	1,252,864
Income tax payables		257,603	1,126,161
Tax payables	15	118,955	113,772
		1,946,414	**2,650.209**
Total liabilities		**2,948,237**	**3,791,444**
Total liabilities and shareholders' equity		**41,431,834**	**44,963,144**

These financial statements have been approved by the Board of Directors on 13 March 2020 and signed on its behalf by,

Christoforos Pavlidis
Chairman

Vasileios Anagnostou
Chief Executive Officer

Nikos Michalopoulos
Chief Financial Officer

Акционерско друштво за производство, преработка, монтажа на украсен камен и сл. МЕРМЕРЕН КОМБИНАТ АД Прилеп

Statement of comprehensive income

	Note	(Amounts in Euro) Year ended 31 December 2019	2018
Sales	16	36,144,203	39,940,803
Cost of sales	17	(9,389,353)	(11,538,437)
Gross profit		**26,754,850**	**28,402,366**
Administrative and selling expenses	18	(4,440,223)	(3,431,638)
Other operating income	20	49,805	163,768
Operating profit		**22,364,432**	**25,134,496**
Finance income	21	228,259	121,888
Finance costs	21	(288,716)	(211,168)
Finance (costs), net		(60,457)	(89,280)
Profit before income tax		**22,303,975**	**25,045,216**
Income tax expense	22	(2,179,177)	(2,227,264)
Profit for the year		**20,124,798**	**22,817,952**
Other comprehensive income for the year:			
Items that will be reclassified subsequently to profit or loss			
Translation differences		7,411	4,177
Other comprehensive income for the year		7,411	4,177
Total comprehensive income for the year		**20,132,209**	**22,822,129**
Attributable to:			
Equity holders of the Company		**20,124,798**	**22,817,952**
Earnings per share for profit attributable to the equity holders of the Company			
- Basic earnings (expressed in Euros per share)	25	4.29	4.87
EBITDA		**24,063,340**	**27,422,994**

See accompanying notes to the financial statements

Statement of changes in equity

(Amounts in Euro)

	Share capital	Other components of equity	Retained earnings	Total
At 01 January 2019	**4,686,858**	**13,226,103**	**23,258,739**	**41,171,700**
Transaction with owners				
Allocation of profit Reinvested earnings	**-**	**(4,122,882)**	**4,122,882**	**-**
Dividends declared	-	-	(22,820,312)	(22,820,312
Total transactions with owners	**-**	**(4,122,882)**	**(18,697,430)**	**(22,820,312**
Profit for the year			20,124,798	20,124,798
Other comprehensive income:				
Transfer of revaluation reserves on disposed tangible assets	-	(25,133)	25,133	-
Exchange differences on translating	-	7,411	-	7,411
Total other comprehensive income		(17,722)	25,133	7,411
Total comprehensive income	**-**	**(17,722)**	**20,149,931**	**20,132,209**
At 31 December 2019	**4,686,858**	**9,085,499**	**24,711,240**	**38,483,597**
At 01 January 2018	**4,686,858**	**6,139,690**	**10,944,429**	**21,770,977**
Transaction with owners	-	-	-	-
Allocation of profit Reinvested earnings	-	7,184,580	(7,184,580)	-
Dividends declared	-	-	(3,421,406)	(3,421,406)
Total transactions with owners	**-**	**7,184,580**	**(10,605,986)**	**(3,421,406)**
Profit for the year	-	-	22,817,952	22,817,952
Other comprehensive income:				
Transfer of revaluation reserves on disposed tangible assets	-	(102,344)	102,344	
Exchange differences on translating	-	4,177	**-**	4,177
Total other comprehensive income	-	**(98,167)**	**102,344**	**4,177**
Total comprehensive income	**-**	**(98,167)**	**22,920,296**	**22,822,129**
At 31 December 2018	**4,686,858**	**13,226,103**	**23,258,739**	**41,171,700**

Statement of cash flows

(Amounts in Euro)

	Note	31 December 2019	31 December 2018
Operating			
Net profit before income tax		22,303,975	25,045,216
Adjusted for:			
Depreciation and amortization	5,6	1,698,908	2,288,498
Value adjustment of inventories	8,18	422,256	382,385
Net carrying amount of equipment sold	5,18	-	317,824
Losses on property, plant and equipment sold	5,18	-	207,185
Wastage, failure and fracture	8,18	38,158	86,709
Net carrying amount of equipment written off	5,18	28,783	78,975
Shortages	18	8,099	17,232
Impairment and write offs on trade and other receivables	9,18	6,817	485
Gain on property, plant and equipment sold	5,20	(2,520)	(7,758)
Payables written off and stock - count surplus	20	(6,079)	(3,843)
Gains from previously impaired receivables	9,20	(300)	(1,045)
Liabilities for dividends written off	20	(393)	(695)
Finance result, net	21	(9,974)	33,560
Operating profit before working capital changes		24,487,730	28,444,728
Changes in working capital:			
Inventories		(1,024,388)	62,121
Trade and other receivables		(6,433,063)	(1,243,914)
Trade and other payables		185,323	(1,154,418)
Cash from operations		17,215,602	26,108,517
Interest paid		(46,613)	(50,795)
Income tax paid		(3,047,735)	(1,888,158)
Cash flows from operating activities, net		**14,121,254**	**24,169,564**
Investing			
Purchase of tangible assets, net of proceeds from sales		(5,195,402)	(3,275,525)
Purchase of intangible assets, net of proceeds from sales		(245,831)	(61,873)
Proceeds from sale of equipment		2,520	118,397
Financial receivables		1,473,467	(5,009,889)
Interest received		56,341	17,095
Cash flows from investing activities, net		**(3,908,905)**	**(8,211,795)**
Financing			
New Borrowings			-
Repayment of borrowings		(157,412)	(41,587)
Dividends paid and related taxes		(22,816,154)	-
Cash flows from financing activities, net		**(22,973,566)**	**(41,587)**
Net change in cash and cash equivalents		**(12,761,217)**	**15,916,18**
Cash and cash equivalents at beginning	11	21,925,941	5, 999,684
Effects of exchange rate changes on cash and cash equivalents		4,531	10,075
Cash and cash equivalents at end	**11**	**9,169,255**	**21,925,941**

Notes to the financial statements

1 General

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

On 10 April 2009 Stone Works Holdings Coöperatief U.A., ("Stoneworks") a corporation incorporated in the Netherlands, acquired 88.4% of the Company's shares.

On 5 September 2017, Pavlidis S.A. Marble-Granite, Greece ("Pavlidis") acquired 100% of the equity interests of Stoneworks.

The Company's shares are listed on the Macedonian Stock Exchange and on the Athens Stock Exchange via the EL.PIS. (Greek Depository Receipts) status.

On 26 February 2018, Pavlidis proceeded to a public offer to EL.PIS. holders in order to acquire EL.PIS. In the period 01/03/2018 to 28/03/2018, a total of 310,262 EL.PIS. were bought, which represent 6.62% of the total shares of the Company.

On 28 June 2018, Stoneworks acquired an additional 34,449 shares and on 12 July 2018 additional 5,082 shares. Therefore, on 31 December 2019 Stoneworks is the holder of 89.25% of the issued share capital.

The Company's main business activities include mining, processing and distribution of marble and decorative stones. The Company has signed a mining rights concession agreement that is valid until 2030, renewable then for another 30 years. The Company operates on local and foreign markets and at 31 December 2019 employs 366 persons (2018: 370 persons).

2 Accounting policies

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

2.1 Basis of preparation

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

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

The financial statements have been prepared as of and for the years ended 31 December 2019 and 2018. Current and comparative data stated in these financial statements are expressed in Euros, unless otherwise stated.

2.2 Changes in accounting policies

a) Standards adopted as at 1 January 2019

The Company has adopted the new accounting pronouncements which have become effective this year, and are as follows:

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The application of IFRS 16 have no effect on the financial position and financial performance of the Company as of and for the year ended 31 December 2019.

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

At the date of authorization of these financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB as follows:

- IFRS 17 Insurance Contracts;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Conceptual Framework for Financial Reporting.

None of these Standards or amendments to existing Standards have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's financial statements.

2.3 Foreign currency translation

Functional and presentation currency

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

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

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- Resulting exchange differences are recognized as financial income or expense, respectively, in each statement of comprehensive income for the period they relate to.

Transactions and balances

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

	31 December 2019	**31 December 2018**
1 USD	54,9518 Denars	53.6887 Denars
1 EUR	61,4856 Denars	61.4950 Denars
Average EUR	61,5053 Denars	61.5111 Denars

2.4 Property, plant and equipment

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

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

The estimated useful lives are as follows:

	31 December 2019	31 December 2018
Buildings & Foundation	40 years	20 years
Machines	10 years	4-10 years
Other equipment	4-5 years	4-10 years
Transport & furniture	4-5 years	4-5 years
Intangibles	5-16 years	5-16 years

The total depreciation during the year ended on 31 December 2019 was Euro 1,698,908. If the useful lives of the fixed assets were kept at the values that they had on 31 December 2018, the total depreciation would have been at the amount of Euro 1,883,200.

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

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

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

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

2.5 Intangible assets

Exploration and evaluation assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the statement of comprehensive income as an expense as incurred. Expenditure on development activities, where by research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically or commercially feasible and the Company has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labor and an appropriate proportion of overheads. Other development expenditure is recognized in the statement of comprehensive income as an expense as incurred.

Capitalized development expenditure is stated at cost less accumulated amortization and impairment losses. Amortization is charged to the statement of comprehensive income on a straight-line basis over the period of its expected benefit, which is estimated at five to sixteen years.

Intangible Assets (continued)

Stripping costs

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

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the Company;

- The Company can identify the component of the ore body for which access has been improved, and

- The cost relating to the stripping activity associated with the component can be measured reliably.

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

Other intangible assets

Expenditure to acquire rights, licenses, trademarks and software is capitalized and amortized using the straight-line method over a period of five years.

2.6 Impairment of non – financial assets

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

2.7 Financial assets

Recognition and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of a financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortized cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorized as FVTPL and FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, financial receivables and trade and other receivables fall into this category of financial instruments.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

2.8 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Impairment of financial assets (continued)

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2.9 Trade and other receivables

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due.

2.10 Cash and cash equivalents

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

2.11 Offsetting financial instruments

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

2.12 Inventories

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

2.13 Share capital, reserves, retained earnings and dividends

(a) Share capital and share premium
Share capital consists of the fair value of monetary considerations contributed by the shareholders.

(b) Reserves
Reserves, which comprise revaluation, statutory and special reserves, are generated during the period, based on gains / losses from revaluation of tangible assets, in the case of revaluation reserves, as well as distributing accumulated gains based on legislation and decisions of the management and shareholders of the company. Translation reserve comprises foreign currency translation differences arising from the translation of financial statements to the presentation currency Euro.

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

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

2.14 Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The Company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs, unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

2.15 Borrowing costs

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

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

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

2.16 Lease

As described in Note 2.2, the Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

Accounting policy applicable from 1 January 2019
Company as a lessee

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, the Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Company as a lessor

The Company's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Accounting policy applicable before 1 January 2019
Company as a lessee

Finance leases, which transfers to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased vehicles and equipment or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. The Company has not classified any assets under this category.

Payments of the operating leasing are recognized as an expense on a straight-line basis over the lease term. Associated cost as maintenance and insurance, are expensed as incurred.

Company as a lessor

Leases where the Company retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are presented as deferred expenses in the Statement of financial position and recognized in profit or loss over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned. Prepaid rents are recognized as deferred income.

2.17 Current and deferred tax expense

Current tax expense for the period is the sum of current and deferred income tax.

Current income tax

Current tax expense at 10% rate is based on the profit shown in the Statement of comprehensive income, adjusted for certain under - declared revenue and non – recognized expenses for tax purposes, tax credit as well as other tax reductions. Legal entities may use tax losses from current period for compensation or elimination of tax liabilities for following periods.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax expense

Deferred tax expense is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used in determination of deferred tax expense. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

The Company has not recognized any deferred tax assets or liability or asset at 31 December 2019 and 2018, as there are no temporary differences existing at that date.

2.18 Employee benefits

Pension obligations

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

Short – term benefits

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

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. The Company pays to the employee's recourse for short term benefits in accordance with the legislation and compensation for unused vacation.

Post – retirement obligations

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

2.19 Value-added tax

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

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

- Receivables and liabilities which are presented with value added tax included.

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

2.20 Provisions

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

2.21 Revenue and expense recognition

Revenue comprises of revenue from sale of goods – wholesale marble blocks and tiles and from rendering of services. Revenue from major products and services is shown in note 16.

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

To determine whether to recognize revenue from services, the Company follows a 5-step process:
1 Identifying the contract with a customer
2 Identifying the performance obligations
3 Determining the transaction price
4 Allocating the transaction price to the performance obligations
5 Recognizing revenue when/as performance obligation(s) are satisfied

Revenue is recognized either at a point in time or over time, when (or as) the Company satisfies performance obligations by transferring the promised goods or services to its customers.

Sales of goods – wholesale marble blocks and tiles
Revenue from the sale of marble blocks and tiles for a fixed fee is recognized when or as the Company transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

Sales of services
Revenue from services is recognized over time as the services are provided.

Finance income and expenses
Finance income is recognized on a time proportion basis that reflects the effective yield on the assets. Finance expense comprise interest expense on borrowings and default interest expense on late payments. Borrowing costs are recognized in profit or loss using the effective interest method

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

Operating expenses
Operating expenses are recognized upon utilization of the service or at the date of the origin.

Netting of revenues and expenses
The Company undertakes, in the course of its ordinary activities, other transactions that do not generate revenue but are incidental to the main revenue-generating activities. The Company presents the results of such transactions, when this presentation reflects the substance of the transaction or other event, by netting any income with related expenses arising on the same transaction.

2.22 Commitments and contingencies

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

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

2.23 Related party transactions

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

2.24 Segment reporting

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

2.25 Events after the reporting date

Post-year-end events that provide additional information about a Company's position at the statement of financial position date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks, including credit risk and risks associated with the effects of changes in foreign currency exchange rates and interest rates. The Company's risk management focuses on unpredictability of markets and seeks to minimize potential adverse effects over the Company's business performance.

Risk management is carried out by the Board of Directors based on certain pre – approved written policies and procedures that cover overall risk management, as well as specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of appropriate securities and investing excess liquidity.

3.2 Market risk

Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Company does not use any instrument to hedge the foreign exchange risk. The Company's Board of Directors is responsible to maintain adequate net position in each currency and in total and its operations are daily monitored by the Company's management.

The carrying value of the monetary assets and liabilities of the Company denominated in foreign currencies is as follows:

Assets		2019	2018
Financial receivables	EUR	1,448	2,507,605
Cash and cash equivalents	EUR	8,918,921	19,030,955
Trade receivables – foreign debtors	EUR	5,133,660	1,644,977
Trade receivables – foreign debtors	USD	56	31
		14,054,085	**23,183,568**
Liabilities			
Trade payables – foreign suppliers	EUR	(284,170)	(158,346)
Trade payables – foreign suppliers	USD		-
Trade payables – foreign suppliers	GBP	(80)	(80)
Borrowings	EUR	(1,141,235)	(1,298,647)
		(1,425,485)	**(1,457,073)**

Foreign currency sensitivity analysis

	Net amount	+1%	+5%	-1%	-5%
31 December 2019					
EUR	12,628,624	126,286	-	(126,286)	-
USD	56	-	3	-	(3)
GBP	(80)	-	(4)	-	4
Gain or (loss)	12,628,600	126,286	(1)	(126,286)	1

	Net amount	+1%	+5%	-1%	-5%
31 December 2018					
EUR	21,726,544	217,265	-	(217,265)	-
USD	31	-	2	-	(2)
GBP	(80)	-	(4)	-	4
Gain or (loss)	**21,726,495**	**217,265**	**(2)**	**(217,265)**	**2**

Market risk (continued)

The sensitivity analysis includes only monetary items denominated in foreign currencies at year end, and a correction of their value is made for a 1% change in the currency of the Euro and for 5% change in the other foreign currency rates. The positive, i.e. negative amount indicates increase/decrease in profit or other equity, which occurs when the Denar weakens/strengthens its value against the Euro by +/- 1% and against other foreign currencies by +/-5%.

Interest rate risk

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

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

	2019 In Euro	2018 In Euro
Assets		
Non-interest bearing:		
Trade and other receivables	5,129,827	1,811,704
Cash and cash equivalents	1,482	1,537
	5,131,309	**1,813,241**
with fixed interest rate:		
Financial receivables	3,536,422	5,009,889
Cash and cash equivalents	9,167,773	21,924,40
	12,704,195	26,934,29
	17,835,504	**28,747,534**
Liabilities		
Non-interest bearing:		
Trade and other payables	1,316,393	1,193,084
	1,316,393	**1,193,084**
With fixed interest rate:		
Borrowings	-	-
	-	-
With variable interest rate:		
Borrowings	1,141,235	1,298,647
	1,141,235	1,298,647
Interest sensitivity gap	**2,457,628**	**2,491,731**

Interest rate sensitivity analysis

At 31 December 2019	Net amount in Euro	2%	-2%
Borrowings with variable interest rate	**(1,141,235)**	**(22,825)**	**22,825**

At 31 December 2018	Net amount in Euro	2%	-2%
Borrowings with variable interest rate	**(1,298,647)**	**(25,973)**	**25,973**

3.3 Credit risk

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

The Company has policies in place to ensure that sales of goods and services are made to customers with an appropriate credit history. It also has policies that limit the amount of credit exposure to any counter party. Credit terms to the foreign customers are secured with letter of credits that mature from 30 to 120 days.

Credit risk (continued)

The Company establishes a provision for impairment that represents its estimate of incurred losses in respect to the trade receivables, based entirely on specific and individual exposures. The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position as summarized below:

	2019	2018
Classes of financial assets – carrying amounts (in Euro):		
Financial receivables	3,536,422	5,009,889
Cash and cash equivalents	9,169,255	21,925,941
Trade and other receivables	5,129,827	1,811,704
	17,835,504	**28,747,534**

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

The Company secures its credit exposure to customers with bank guarantees, letter of credits, cash deposits, prepayments etc. Though the Company has a big exposure to Chinese customers at around 68% of sales (Including Hong – Kong), 2018: Chinese customers at around 66% of sales), the selected distributors are mostly export oriented, which minimizes the Chinese market exposure risk. To the best of our knowledge, the Company's major customers have not experienced significant financial difficulties to date. Credit quality of trade receivables as at 31 December 2019 is considered to be good. As of the statement of financial position date the credit quality of Company's trade receivables and advances to suppliers is disclosed in Note 9.

3.4 Liquidity risk

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

As at 31 December 2019 and 2018, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

At 31 December 2019	Current 1 to 12 months (In Euro)	1 to 5 years (In Euro)	Non – current Later than 5 years (In Euro)
Interest – bearing borrowings	157,412	629,647	354,176
Trade and other payables	1,316,393	-	-
	1,473,805	**629,647**	**354,176**

At 31 December 2018	Current 1 to 12 months (In Euro)	1 to 5 years (In Euro)	Non – current Later than 5 years (In Euro)
Interest – bearing borrowings	157,412	629,647	511,588
Trade and other payables	1,193,084	-	-
	1,350,496	**629,647**	**511,588**

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

3.5 Capital risk management

The Company's objectives when managing capital are the following:

- To safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders

- To maintain an optimal capital structure to reduce the cost of capital.

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

Gearing ratio

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

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

The debt indicator at year end is as follows:

	2019 (In Euro)	2018 (In Euro)
Interest-bearing borrowings	1,141,235	1,298,647
Cash and cash equivalents and financial receivables	(12,705,677)	(26,935,830)
Net liabilities	(11,564,442)	(25,637,183)
Shareholders' equity	38,483,597	41,171,700
Gearing ratio	-	-

3.6 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. No financial instrument is presented at fair value as of 31 December 2019.

3.6.1 Financial instruments that are not presented at fair value

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

	Carrying value		Fair value	
	2019 (In Euro)	2018 (In Euro)	2019 (In Euro)	2018 (In Euro)
Assets				
Trade and other receivables	5,129,827	1,811,704	5,129,827	1,811,704
Financial receivables	3,536,422	5,009,889	3,536,422	5,009,889
Cash and cash equivalents	9,169,255	21,925,941	9,169,255	21,925,941
Total assets	**17,835,504**	**28,747,534**	**17,835,504**	**28,747,534**
Liabilities				
Borrowings	1,141,235	1,298,647	1,141,235	1,298,647
Trade and other payables (without tax liabilities)	1,316,393	1,193,084	1,316,393	1,193,084
	2,457,628	**2,491,731**	**2,457,628**	**2,491,731**

Fair value estimation (continued)

Loans and receivables

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

Other financial assets

Fair value of monetary assets that include cash and cash equivalents is considered to approximate their carrying value due to their maturity of less than 3 months.

Trade and loans payable

Carrying value of trade and loans payable approximates their fair value.

4 Critical accounting estimates and judgements

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

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

Uncertainty in judgments

Impairment of non- financial assets

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

Impairment of financial assets

Impairment of trade and other receivables

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

Useful life of amortized assets

The Management regularly reviews the useful lives of amortized assets as at the statement of financial position date. Management estimates that the determined useful life of assets represents the expected usefulness (utility) of assets. The carrying values of such assets are analyzed in Note 5 and 6. However, the factual results may differ due to technological obsolescence.

Inventories

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

(All amounts expressed in Euros, unless otherwise stated)

5 Property, plant and

	Land & Buildings	Machinery & equipment	Construction in progress	Total
01 January 2018				
Cost or valuation	5,466,986	21,362,469	9,852	26,839,307
Accumulated depreciation and impairment	(2,701,948)	(15,547,586)	-	(18,249,534)
Net carrying amount	**2,765,038**	**5,814,883**	**9,852**	**8,589,773**
Year ended 31 December 2018				
Opening net carrying amount	2,765,038	5,814,883	9,852	8,589,773
Translation differences	(175)	(235)	51	(359)
Additions, net of transfers from C.I.P.	342,863	2,736,591	196,071	3,275,525
Disposals-net	(8,828)	(350,336)	(1,484)	(360,648)
Transfers to inventory	-	(36,150)	-	(36,150)
Depreciation charge for the year	(264,059)	(1,691,884)	-	(1,955,943)
Closing carrying amount	**2,834,839**	**6,472,869**	**204,490**	**9,512,198**
At 31 December 2018 / 01 January 2019				
Cost or valuation	5,773,641	20,417,701	204,490	26,395,832
Accumulated depreciation and impairment	(2,938,802)	(13,944,832)	-	(16,883,634)
Net carrying amount	**2,834,839**	**6,472,869**	**204,490**	**9,512,198**
Year ended 31 December 2019				
Opening net carrying amount	2,834,839	6,472,869	204,490	9,512,198
Translation differences	475	1,932	219	2,626
Additions, net of transfers from C.I.P.	301,516	4,305,100	588,786	5,195,402
Disposals-net	(20,580)	(8,202)	-	(28,782)
Transfers to inventory	-	-	-	-
Depreciation charge for the year	(150,057)	(1,356,768)	-	(1,506,825)
Closing carrying amount	**2,966,193**	**9,414,931**	**793,495**	**13,174,619**
At 31 December 2019				
Cost or valuation	6,037,535	24,258,600	793,495	31,089,630
Accumulated depreciation and impairment	(3,071,342)	(14,843,669)	-	(17,915,011)
Net carrying amount	**2,966,193**	**9,414,931**	**793,495**	**13,174,619**

Disposals

During year ended 31 December 2019, the Company has written off equipment, transportation vehicles and computer hardware with net carrying value of Euro 28,782 (31 December 2018: Euro 70,525) included in the administrative and selling expenses (see Note 18). Gain incurred from these transactions amounts to 0 Euro (31 December 2018: Euro 27,701), included in other operating income (see Note 20).

Furthermore, during year ended 31 December 2019, the Company sold equipment with total net carrying value of Euro 0. Sale value of the part related to assets sold is Euro 2,974. Loss incurred from these transaction amounts to Euro 0 (31 December 2018: Euro 207,185), included in the administrative and selling expenses (see note 18). Gain incurred from these transactions amounts to 2,520 Euros (31 December 2018: Euro 7,758), included in other operating income (see Note 20).

Construction in progress

As of 31 December 2019, the balance of construction in progress in the amount of Euro 793,495 (2018: Euro 204,490) mainly consists of the cost of installation of two gang saws, water treatment system for the factory and some major repairs of equipment.

Pledge over property, plant and equipment

As of 31 December 2019, the Company has pledged part of its property, plant and equipment to secure borrowings (see Note 13). As of the statement of financial position date, their appraised value is in the amount of 3,342,752 Euros (2018: 3,342,752 Euros) (see Note 26).

(All amounts expressed in Euros, unless otherwise stated) 27

6 Intangible assets

	Software	Trademarks	Exploration and evaluation assets	Intangibles in progress	Total
At 01 January 2018					
Cost or valuation	175,300	180,133	2,874,016	57,344	3,286,793
Accumulated amortization	(151,330)	(124,570)	(1,217,551)	-	(1,493,451)
Net carrying amount	**23,970**	**55,563**	**1,656,465**	**57,344**	**1,793,342**
Year ended 31 December 2018					
Opening net carrying amount	23,970	55,563	1,656,465	57,344	1,793,342
Translation differences	(4)	(3)	(194)	4	(197)
Additions, net of transfers from C.I.P. intangibles in	1,452	27,379	-	33,042	61,873
Depreciation charge for the year	(11,005)	(26,280)	(295,270)	-	(332,555)
Closing carrying amount	**14,413**	**56,659**	**1,361,001**	**90,390**	**1,522,463**
At 31 December 2018 / 01 January 2019					
Cost or valuation	176,740	207,507	2,873,815	90,390	3,348,452
Accumulated amortization	(162,327)	(150,848)	(1,512,814)	-	(1,825,989)
Net carrying amount	**14,413**	**56,659**	**1,361,001**	**90,390**	**1,522,463**
Year ended 31 December 2019					
Opening net carrying amount	14,413	56,659	1,361,001	90,390	1,522,463
Translation differences	24	8	229	(11)	250
Additions, net of transfers from C.I.P.	91,222	10,107	224,434	(79,932)	245,831
Depreciation charge for the year	(21,813)	(12,404)	(157,866)	-	(192,083)
Closing carrying amount	**83,846**	**54,370**	**1,427,798**	**10,447**	**1,576,461**
At 31 December 2019					
Cost or valuation	268,018	217,649	3,098,760	10,447	3,594,874
Accumulated amortization	(184,172)	(163,279)	(1,670,962)	-	(2,018,413)
Net carrying amount	**83,846**	**54,370**	**1,427,798**	**10,447**	**1,576,461**

Exploration and evaluation assets

As of 31 December 2019, the balance of exploration and evaluation assets in the amount of Euros 1,427,798 (31 December 2018: Euros 1,361,001) includes capitalized expenses related to quarry stripping activities with remaining amortization period for 11 years, geophysics and drilling research and quarry 10-year plan.

Intangibles in process of acquisition

As of 31 December 2019, the balance of intangibles in progress in the amount of Euros 10,447 (31 December 2018: Euro 90,390) relates mainly to projects for the quarry and factory, as well as new corporate web site.

Allocation of depreciation and amortization charged

Out of the total depreciation and amortization for the year ended 31 December 2019 amounting Euro 1,698,908 (2018: Euro 2,288,498) disclosed in Note 23, Euro 1,604,756 (2018: Euro 2,185,816) has been charged in cost of sales and the remaining in the amount of Euro 94,152 (2018: Euro 102,682) into administrative and selling expenses (see Note 18).

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7 Financial instruments by categories

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

	2019	2018
Assets		
Assets carried at amortized cost		
Trade and other receivables	5,129,827	1,811,704
Financial receivables	3,536,422	5,009,889
Cash and cash equivalents	9,169,255	21,925,941
	17,835,504	**28,747,534**
Liabilities		
Other financial liabilities at amortized cost		
Borrowings	1,141,235	1,298,647
Trade and other payables	1,316,393	1,193,084
	2,457,628	**2,491,731**

8 Inventories

	2019	2018
Work in progress	3,303,557	2,776,848
Spare parts	990,092	859,197
Finished products	806,261	961,182
Raw materials	210,920	158,501
Trade goods	75,881	73,519
Other	23,805	25,394
	5,410,516	**4,854,641**

During 2019, the Company recognized expense for wastage, failure and fracture in the amount of Euro 38,158 (2018: Euro 86,709) and stock count shortages in the amount of Euro 8,099 (2018: 17,232) accounted for administrative and selling expenses (see Note 18).

Furthermore, as at 31 December 2019 the Company has assessed the net realizable value of the inventories and has decreased its value in total amount of Euro 422,256 (2018: Euro 382,385) (Note 17 and 23). The total amount has been charged into administrative and selling expenses (see Note 18).

Cost of raw materials, spare parts and other materials included in the cost of sale for the year ended 31 December 2019 amounts to Euro 3,356,981 (2018: Euro 3,615,657).

9 Trade and other receivables

	2019	2018
Current trade receivables		
Local debtors	28,095	165,715
Foreign debtors	3,937,730	1,675,895
Related parties' receivables (Note 24)	1,195,979	15,387
	5,161,804	**1,856,997**
Less: impairment provision	(69,779)	(64,173)
	5,092,025	**1,792,824**
Prepayments		
Advances to suppliers	2,624,639	151,360
Prepaid VAT	772,536	137,970
Deferred expenses	37,559	36,978
Other current receivables	37,802	18,880
	3,472,536	**345,188**
Trade and other receivables, net	**8,564,561**	**2,138,012**

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Trade and other receivables (continued)

At 31 December 2019 the credit quality of Company's trade receivables and advances to suppliers can be analyzed as follows:

	Neither past due nor Impaired	Past due but not impaired	Impaired	Total
Cost	4,644,534	447,491	69,779	5,161,804
Less: Impairment provision	-	-	(69,779)	(69,779)
	4,644,534	**447,491**	**-**	**5,092,025**

At 31 December 2018 the credit quality of Company's trade receivables and advances to suppliers can be analyzed as follows:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cost	853,048	939,776	64,173	1,856,997
Less: Impairment provision		-	(64,173)	(64,173)
	853,048	**939,776**	**-**	**1,792,824**

At 31 December 2019 the age structure of past due not impaired trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	Foreign trade receivables	Total
Overdue up to 1 year	1,671	445,820	447,491
Overdue more than 1 year	-	-	-
	1,671	**445,820**	**447,491**

At 31 December 2018 the age structure of past due not impaired trade receivables and advances to suppliers is as follows:

	Domestic trade receivables	Foreign trade receivables	Total
Overdue up to 1 year	127,513	812,263	939,776
Overdue more than 1 year	-	-	-
	127,513	**812,263**	**939,776**

The following table presents the movement of impairment provision account for the years ended 31 December 2019 and 2018:

	2019	2018
At 01 January	64,173	65,624
Write off of previously impaired receivables	(888)	(746)
Collected fully provided bad debts (Note 20)	(300)	(1,045)
Impairment provision (Note 18)	6,791	341
Translation differences	3	(1)
At 31 December	**69,779**	**64,173**

As at 31 December 2019, based on the assessment of collection of receivables, the Company wrote off fully non-collectible trade receivables in its current profit and loss in the amount of Euro 26 (2018 Euro 144) (See note 18).

10 Financial receivables

	2019	2018
Short-term deposits in local banks	3,536,422	5,009,889
	3,536,422	**5,009,889**

11 Cash and cash equivalents

	2019	2018
Bank accounts	9,167,773	21,924,404
Cash on hand	1,482	1,537
	9,169,255	**21,925,941**

12 Equity

Shares issued

	Number of shares	Ordinary shares (Euros)	Share premium (Euros)	Amount (in Euros) Total (Euros)
Authorized, issued and fully paid ordinary shares 1 Euro at par				
At 01 January 2019	**4,686,858**	**4,686,858**	**-**	**4,686,858**
At 31 December 2019	**4,686,858**	**4,686,858**	**-**	**4,686,858**

	Number of shares	Ordinary shares (Euros)	Share premium (Euros)	Amount (in Euros) Total (Euros)
Authorized, issued and fully paid ordinary shares 1 Euro at par				
At 01 January 2018	**4,686,858**	**4,686,858**	**-**	**4,686,858**
At 31 December 2018	**4,686,858**	**4,686,858**	**-**	**4,686,858**

The structure of share capital at 31 December 2019 and 2018 is as follows (amounts in Euro):

	Number of shares	Amount in Euros	%
Stone Works Holding Coöperatief U.A Netherlands	4,183,021	4,183,021	89.25
Piraeus Bank S.A. [1]	468,700	468,700	10.00
Other –minority	35,137	35,137	0.75
	4,686,858	**4,686,858**	**100.00**

All shares issued are fully paid. Holders of ordinary shares are entitled to vote right in the Assembly of the Company, entitled to payment of part of profit, and right to payment of rest of the liquidation or bankruptcy estate of the Company.

Other components of equity

	Translation reserve	Statutory reserves	Revaluation reserve	Total
At 1 January 2019	**30,888**	**11,941,525**	**1,253,690**	**13,226,103**
Allocation of profit to reinvested earnings	-	(4,122,882)	-	(4,122,882)
Transfer of revaluation reserves on disposed plant and equipment	-	-	(25,133)	(25,133)
Translation differences	7,411	-	-	7,411
At 31 December 2019	**38,299**	**7,818,643**	**1,228,557**	**9,085,499**
At 1 January2018	**26,711**	**4,756,945**	**1,356,034**	**6,139,690**
Allocation of profit to reinvested earnings	-	7,184,580	-	7,184,580
Transfer of revaluation reserves on disposed plant and equipment	-	-	(102,344)	(102,344)
Translation differences	4,177	-	-	4,177
At 31 December 2018	**30,888**	**11,941,525**	**1,253,690**	**13,226,103**

[1] In its capacity of the issuer of the ELPIS certificates

(All amounts expressed in Euros, unless otherwise stated)

Equity (continued)

Revaluation reserve

Revaluation surplus, which at 31 December 2019 amounts 1,228,557 Euros (31 December 2018: 1,253,690 Euros) was initially created during 2002, based upon the independent valuation of groups of the Company's property, plant and equipment. Subsequent changes (transfers into retained earnings) relate to surpluses of the assets sold or disposed of.

Statutory reserves

Reserves, which at 31 December 2019 amount to 7,818,643 Euros (31 December 2018: 11,941,525 Euros) are created during the years by allocation of parts of the net income after tax. According to the prevailing local legal regulations, the Company is required to set aside each year, minimum 5% (2012: 15%) from its annual net income after tax, until the level of such reserves reach 10% of the registered capital.

At 05 June 2018 and according to the Shareholders' Annual Assembly decision no. 02-3016/13, part of the profit for the year 2017, in the amount of 7,184,580 Euros was allocated to Reinvested earnings for financing the investment program of the Company.

At 16 April 2019 and according to Shareholders' Annual Assembly decision no.02-1960/13, part of reinvested earnings in the amount of 4,122,882 Euros that was not utilized in 2018 were transferred to retained earnings.

With an assembly decision, reserves can be distributed for dividends to the shareholders and/or for purchase of own shares, except for the reinvested earnings.

Dividends

At 16 April 2019 and according to the Shareholders' Annual Assembly decision no. 02-1960/13, part of the profit of the Company for the year 2018 in the amount of 22,817,952 Euros were allocated for dividends distribution. As at 31 December 2019, dividend distribution from retained earnings is 22,820,312 Euros, difference in the amount of 2,360 Euros araise from foreign exchange difference. During the period ended 31 December 2019 the Company paid dividends to its shareholders in the total amount of 22,563,239 Euros and in addition 252,915 Euros relating to taxes on dividend paid.

13 Borrowings

	2019	2018
Long – term interest bearing borrowings from banks		
Komercijalna Banka ad, Skopje (original amount: Euro 1,338,000; interest rate 6m.Euribor+3.8%)	1,141,235	1,298,647
	1,141,235	**1,298,647**
Less: current maturity of long - term borrowings	(157,412)	(157,412)
Total long – term borrowings	**983,823**	**1,141,235**

Loans from financial institutions are secured by mortgage over part of the Company's properties (see also Note 5 and 26).

Total loan repaid during the same period amounts to 157,412 Euros (2018: 41,587 Euros).

The long-term borrowings repayments schedule is as follows:

	2019	2018
Due within 12 months	157,412	157,412
Due within 1 – 2 years	157,412	157,412
Due within 2 – 5 years	472,235	472,235
Due in over 5 years	354,176	511,588
	1,141,235	**1,298,647**

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14 Trade and other payables

	2019	2018
Trade creditors		
Local suppliers	653,890	743,432
Foreign suppliers	284,264	98,646
Related parties' payables (see Note 24)	-	-
	938,154	**842,078**
Other current liabilities		
Liabilities to employees and management	368,895	346,814
Accrued expenses	76,039	-
Customers' prepayments	38,012	59,780
Dividends payables (net of local taxes)	5,926	2,164
Interest payable	1,782	2,028
Other	1,636	-
	492,290	**410,786**
Total trade and other payables	**1,430,444**	**1,252,864**

15 Tax payables

	2019	2018
Concession fees and other levies	109,968	112,845
Personal income tax liabilities	2,735	927
Withholding tax	6,252	-
	118,955	**113,772**

16 Sales

	2019	2018
Local market	**334,150**	**477,603**
Foreign markets:		
- China[2]	24,757,085	26,291,892
- Greece	8,980,785	9,859,502
- Italy	135,538	2,111,197
- Balkan region	208,708	243,106
- Other markets	1,727,937	957,503
Subtotal sales on foreign markets	35,810,053	39,463,200
Total sales	**36,144,203**	**39,940,803**

17 Cost of sales

	2019	2018
Stock of finished products and W.I.P. at 01 January	3,738,030	4,283,669
Plus: Total production cost for the year ended 31 December	10,275,532	11,453,361
Plus: Income from value adjustment of previously written-off inventory	43,018	43,399
Plus: Cost of various material sold	22,687	80,188
Use of own products	(75,621)	(97,168)
Wastage, failure and fracture of products (excluding VAT effect)	(32,337)	(46,595)
Shortages (excluding VAT effect)	(6,864)	(14,603)
Less: Value adjustment of inventories (Note 8) -	(422,256)	(382,385)
Less: Income from released value adjustment of inventories sold	(43,018)	(43,399)
Less: Stock of finished products and W.I.P. at 31 December	(4,109,818)	(3,738,030)
Cost of sales	**9,389,353**	**11,538,437**

[2] Includes mainland China and Hong Kong

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18 Administrative and selling expenses

	Year ended 31 December 2019		Year ended 31 December 2018	
	Administrative	Selling	Administrative	Selling
Staff costs (Note 19)	740,378	151,369	825,589	91,347
Marketing and promotion	253,494	8,750	147,546	105,392
Professional advisory services	97,369	-	98,314	-
Transport of products	-	2,107,224	-	889,392
Services	95,240	86,850	67,794	11,294
Depreciation and amortization (Note 6)	49,738	44,414	62,789	39,893
Materials, supplies and utilities	35,116	23,623	36,774	3,602
Expenses for operating lease	21,013	-	22,619	-
Taxes and other levies	19,242	1,401	17,823	4,699
Value adjustment of inventories (Note 8)	-	422,256	-	382,385
Present value of assets sold -written off (Note 5)	-	28,782	-	277,710
Wastage, failure and fracture (Note 8)	-	38,158	-	86,709
Shortages (Note 8)	-	8,099	-	17,232
Impairment and write–off of receivables (Note 9)	-	6,817	-	485
Other expenses and provisions	165,442	35,448	198,560	43,690
	1,477,032	**2,963,191**	**1,477,808**	**1,953,830**

19 Staff costs

	2019	2018
Net salaries	2,517,803	2,656,048
Personal tax and mandatory contributions	1,264,970	1,256,316
Business trips	6,063	8,863
Other allowances	534,478	707,127
	4,323,314	**4,628,354**

Out of the total staff costs for the year ended 31 December 2019 amounting Euro 4,323,314 (2018: 4,628,354), Euro 3,431,567 (2018: Euro 3,711,418) has been charged in cost of sales and the remaining in the amount of Euro 891,747 (2018: Euro 916,936) into administrative and selling expenses (see Note 18).

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20 Other operating income

	2019	2018
Income from re-invoicing of transport cost and other services	7,832	151,173
Less: Cost associated with the above services	(7,477)	(148,834)
Reimbursement of participation in trade fair	13,483	24,892
Payables write offs and stock count surplus	6,079	3,843
Raw materials sold	5,868	74,022
Gain on property, plant and equipment sold (Note 5)	2,520	35,459
Income from court verdicts	2,167	-
Liabilities for dividends written off	393	695
Collected fully provided bad debts (Note 9)	300	1,045
Income from rents	98	366
Returned VAT from representative office in Athens	-	10,853
Other income	18,542	10,254
	49,805	**163,768**

21 Finance income and costs

Finance income	2019	2018
Interest income	56,341	17,095
Foreign exchange gains	171,918	104,793
	228,259	121,888
Finance (costs)		
Interest (expense)	(46,367)	(50,655)
Bank (charges)	(57,577)	(40,534)
Foreign exchange (losses)	(184,772)	(119,979)
	(288,716)	**(211,168)**
Finance (costs), net	**(60,457)**	**(89,280)**

22 Income tax expense

The charge for the year can be reconciled to the profit per Statement of comprehensive income for 2019 and 2018 as follows:

	2019	2018
Profit before income tax	22,303,975	25,045,216
Non – deductible expenses	721,596	854,937
Tax basis deductions	(512)	(3,077,640)
Translation differences	2	22
At 31 December – Taxable profit	23,025,061	22,822,535
Current tax charge at rate of 10%	**2,302,506**	**2,282,254**
Income tax reduction	(123,329)	(54,990)
Income tax (expense)	**2,179,177**	**2,227,264**
Effective tax rate	**9.77%**	**8.89%**

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23 Expenses by nature

	2019	2018
Staff costs (Note 19)	4,323,314	4,628,354
Transport of products	2,107,224	889,392
Energy and water	1,970,451	2,087,572
Depreciation and amortization (Note 6)	1,698,908	2,288,498
Consumed materials, spare parts and small inventory	1,651,829	1,752,437
Services	1,352,279	1,256,210
Value adjustment of inventories	422,256	382,385
Marketing and promotion	262,244	252,938
Professional advisory services	97,369	98,314
Taxes and other contributions	92,608	94,431
Other expenses and provisions	56,228	242,250
Wastage, failure and fracture (Note 8)	38,158	86,709
Transport costs	32,022	15,507
Present value of assets written off (Note 5)	28,872	277,710
Expenses for operating leasing	21,013	24,858
Representation	18,112	21,202
Insurance	13,561	7,952
Shortages (Note 8)	8,099	17,232
Write off of receivables (Note 9)	6,817	485
	14,201,364	**14,424,436**
Changes of stock of work in progress and finished products	(371,788)	545,639
	13,829,576	**14,970,075**

*Valuation allowance of inventories in the amount of Euro 422,256 (2018: Euro 382,385) represents net amount of recognized expenses of Euro 436,598 (2018: Euro 397,793) (Note 8), decreased for income from value adjustment of previously written-off inventory in the amount of Euro 14,342 (2018: Euro 15,408).

24 Related party transactions

The table below provides for the volume and balances from the related party transactions as of and for the years ended 31 December 2019 and 2018:

31 December 2019	Cash	Receivables	Payables	Revenues	Expenses
Stone Works Holding Coöperatief U.A Netherlands	-	-	-	-	-
Pavlidis S.A Marble-Granite Drama Greece		1,195,979		8,986,045	22,889
Key management remuneration	-	-	-	-	419,808
	-	**1,195,979**	**-**	**8,986,045**	**442,697**

31 December 2018	Cash	Receivables	Payables	Revenues	Expenses
Stone Works Holding Coöperatief U.A Netherlands	-	-	-	-	-
Pavlidis S.A Marble-Granite Drama Greece	-	15,387	-	4,576,425	80,054
Key management remuneration	-	-	-	-	340,819
	-	**15,387**	**-**	**4,576,425**	**420,873**

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25 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the year.

	2019	2018
Profit attributable to equity holders of the Company	20,124,798	22,817,952
Weighted average number of ordinary shares (Note 12)	4,686,858	4,686,858
Basic earnings per share (Euros per share)	**4.29**	**4.87**

26 Contingent liabilities

Mortgages

Mortgages provided with appraised value are as follows (Note 5 and 13)

	2019	2018
Business premises	2,378,952	2,378,952
Machinery & equipment	963,800	963,800
	3,342,752	**3,342,752**

Mortgages provided with present value are as follows:

	2019	2018
Business premises	1,246,062	1,327,369
Machinery & equipment	874,834	988,100
	2,120,896	**2,315,469**

Guarantees

Guarantees provided is as follows:

	2019	2018
Issued by Komercijalna Banka AD Skopje	-	62,398
	-	**62,398**

The beneficiaries of the guarantees are Company's suppliers. The guarantees serve as security that the Company will pay its liabilities on time towards the beneficiaries.

Litigations

At 31 December 2019, the estimated Euro equivalent of the legal proceedings raised against the Company amounts Euro 41,371 (2018: Euro 41,365). No significant liabilities are anticipated from these proceedings, as professional advice indicates that it is unlikely that any significant loss will arise.

Tax risk

Up to 31 December 2019 the Company was subject of following tax inspections by tax authorities:

- for VAT until 30 June 2009 and except control made for June 2019;
- for Personal Income tax for period from 1 January 2007 until 31 December 2008;
- for Corporate Income tax for period from 1 January 2007 until 31 December 2012;
- for tax on concessions for the period until 31 December 2011;
- for Withholding tax for the period until 31 March 2012.

For the unaudited tax periods of the Company's accounting records, there is a possibility for additional taxes and penalties.

In addition, according to the changes in Profit Tax Law, in 2019 Profit Tax law was amended and the Company has obligation to prepare a report for transfer pricing for 2019 latest by 30 September 2020 in accordance with the Rulebook for the form and content on the Report on transfer pricing (Official Gazette of RSM no. 59/2019). Until the date of this report, the Company did not prepare a report on transfer pricing.

Contingent liabilities (continued)

The Company is conducting regular assessment for potential tax effect which are expected to arise from tax inspections of past years and new transfer pricing requirements. The management is considering that such amounts which might occur will not have any material effect on the financial results and reported taxes.

27 Commitments

Operating lease liabilities

As of 31 December 2019 and 2018, the operating lease liabilities relates to lease of vehicles. Repayment schedule of operating lease liabilities is as follows (Note 5 and 13):

	2019	2018
Operating lease liabilities		
Present value of payment:		
Due within 1 year	20,913	20,913
Due between 1 – 5 years	32,193	53,106
	53,106	**74,019**

During 2019, the entity has recognized expenses for operating lease in the amount of Euro 21,013 (2018: Euro 24,858) (Note 23).

28 Concession agreements

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

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

- Annual fee for use of territory on which the concession has been granted in the amount of Euro 5,742; and
- Concession fee on sold quantities of commercial marble according to the Methodology established by the Ministry of Economy of RNM for:
  - blocks at 5% of the value of the material determined at 294 Euros /m^3;
  - tombolons at 5% of the value of material determined at 147 Euros /m^3 and
  - material other than blocks and tombolons, that is crashed or milled 0,325 Euros/t.

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29 Information on operating segments

As of 31December 2019 and 2018, the Company is organized into the following operating segments:

a. quarry;

b. factory.

Operating results per segments for the years ended 31 December 2019 and 2018, are as follows:

	Quarry	Factory	Total
Year ended 31 December 2019			
Sales	33,983,158	2,161,045	36,144,203
Profit from operating activities	22,204,151	160,281	22,364,432
Financial result, net			(60,457)
Profit before income tax			**22,303,975**
Income tax expense			(2,179,177)
Profit for the year			**20,124,798**
Other comprehensive income			7,411
Total comprehensive income for the year			**20,132,209**
Year ended 31 December 2018			
Sales	35,483,613	4,457,190	39,940,803
Profit from operating activities	23,604,480	1,530,016	25,134,496
Financial result, net			(89,280)
Profit before income tax			**25,045,216**
Income tax expense			(2,227,264)
Profit for the year			**22,817,952**
Other comprehensive income			4,177
Total comprehensive income for the year			**22,822,129**

Segment assets and liabilities as of 31 December 2019 and 2018 are as follows:

	Quarry	Factory	Total
31 December 2019			
Total assets	35,167,023	6,264,811	41,431,834
Liabilities	2,840,197	108,040	2,948,237
Capital expenditures	4,361,763	1,079,470	5,441,233
31 December 2018			
Total assets	37,973,074	6,990,070	44,963,144
Liabilities	3,513,261	278,183	3,791,444
Capital expenditures	2,564,845	772,553	3,337,398

Sales per geographical regions are as follows:

	2019	2018
North Macedonia	334,150	477,603
China[3]	24,757,085	26,291,892
Greece	8,980,785	9,859,502
Italy	135,538	2,111,197
Balkan region	208,708	243,106
Other markets	1,727,937	957,503
	36,144,203	**39,940,803**

During 2019, Euro 8,983,750 or 24.9% (2018: Euro 14,337,949 or 35.9%) of the Company's revenues depended on a one single customer from Greece, which individually represents more than 10% of revenues (2018: one from China and two from Greece).

[3] Includes mainland China and Hong Kong

30 Events after the reporting date

After 31 December 2019 to the reporting date until the approval of these Financial Statements, there are no adjusting events reflected in the financial statements, or materially significant for disclosure in these financial statements.