

Financial statements prepared in accordance with International Financial Reporting Standards and Independent Auditor's Report

Mermeren Kombinat AD Prilep

31 December 2021



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Independent Auditor's Report

To: Management and Shareholders of
Mermeren Kombinat a.d., Prilep

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 2021, 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 2021, 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 Accountant's 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

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.

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 in each 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.

Assumption used in the valuation of inventory

Based on both ISA and our audit methodology, accounting estimates are areas that involve significant management judgements and require significant auditor attention. Management estimates the net realizable values of inventories taking into account the most reliable evidence available at each reporting date. In addition, management's assessment process is complex and highly judgmental and is based on the assumption for the selling prices for which the future realization may be affected by future technology or other market-driven changes that may reduce future selling prices. Related accounting policies, judgments and estimates are disclosed in Notes 2.12 and 5 in the accompanying financial statements.

How the matter was addressed in our audit

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 audit procedures performed.

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. No issues were noted from our audit procedures performed.

We inspected whether the inventory is stated at the lower of cost or net realizable value by testing how management made the accounting estimate and the data on which it is based. This approach is appropriate due to no indication that management's process is not effective. The allowance is based on when each item was last sold, and we tested the completeness and accuracy of the inventory aging report and sales prices. Furthermore, when attending the physical inventory counting, we inspected the condition and characteristics of inventory (e.g. damaged inventory, aged or obsolete inventory, or scrapped inventory) and determined what items, if any, are subject of an inventory allowance. We also made inquiries of warehouse and other operational personnel as to inventory that may be slow-moving, damaged or obsolete. No issues were noted from our audit procedures performed.

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.

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. Those charged with governance are 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 those charged with governance regarding, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Marjan Andonov
Director
Grant Thornton DOO, Skopje

Maja Atanasovska
Certified auditor

Skopje, 18 March 2022

Statement of financial position

	Note	31 December 2021	(Amounts in Eur) 31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	5	14,594,091	15,451,906
Intangible assets	6	1,212,339	1,390,392
		15,806,430	16,842,298
Current assets			
Inventories	8	5,148,046	5,367,162
Trade and other receivables	9	8,357,382	5,658,001
Income tax receivables		215,280	1,453,283
Financial receivables	10	4,043,186	4,008,719
Cash and cash equivalents	11	10,461,890	7,475,610
		28,225,784	23,962,775
Total assets		44,032,214	40,805,073
Equity			
Shareholders' equity			
Share capital	12	4,686,858	4,686,858
Other components of equity	12	14,500,035	12,936,139
Retained earnings		23,799,422	21,001,836
Total shareholders' equity		42,986,315	38,624,833
Liabilities			
Non – current liabilities			
Borrowings	13	-	826,412
		-	826,412
Current liabilities			
Borrowings	13	-	157,412
Trade and other payables	14	932,503	1,127,682
Tax payables	15	113,396	68,734
		1,045,899	1,353,828
Total liabilities		1,045,899	2,180,240
Total liabilities and shareholders' equity		44,032,214	40,805,073

These financial statements have been approved by the Board of Directors on 18 March 2022 and signed on its behalf by,

Christoforos Pavlidis
Chairman

Vasileios Anagnostou
Chief Executive Officer

Nikos Michalopoulos
Chief Financial Officer

Statement of comprehensive income

(Amounts in Eur)			
Year ended 31 December			
	Note	2021	2020
Sales	16	30,127,440	22,133,336
Cost of sales	17	(8,873,048)	(8,803,820)
Gross profit		21,254,392	13,329,516
Administrative and selling expenses	18	(4,826,177)	(4,549,270)
Other operating income	20	55,592	57,054
Operating profit		16,483,807	8,837,300
Finance income	21	264,682	120,145
Finance costs	21	(369,163)	(163,533)
Finance (costs), net		(104,481)	(43,388)
Profit before income tax		16,379,326	8,793,912
Income tax expense	22	(1,582,951)	(502,329)
Profit for the year		14,796,375	8,291,583
Other comprehensive income for the year:			
Items that will be reclassified subsequently to profit or loss			
Translation differences		63,750	(132,786)
Other comprehensive income for the year		63,750	(132,786)
Total comprehensive income for the year		14,860,125	8,158,797
Profit attributable to the holders of ordinary shares		14,796,375	8,291,583
Total comprehensive income attributable to the holders of ordinary shares		14,860,125	8,158,797
Earnings per share (expressed in Euros per share)	25	3,16	1,77
EBITDA		18,708,458	11,099,837

Statement of changes in equity

	(Amounts in Eur)			
	Share capital	Reserves	Retained earnings	Total
At 01 January 2021	4,686,858	12,936,139	21,001,836	38,624,833
Transaction with owners				
Allocation of profit to reserves (Note 12)	-	1,500,953	(1,500,953)	-
Dividends declared and paid	-	-	(10,498,562)	(10,498,562)
Transfer of profit from reserves to retained earnings (Note 12)	-	(807)	726	(81)
<i>Total transactions with owners</i>	-	1,500,146	(11,998,789)	(10,498,643)
Profit for the year			14,796,375	14,796,375
<i>Other comprehensive income:</i>				
Exchange differences on translating	-	63,750	-	63,750
<i>Total other comprehensive income</i>	-	63,750	-	63,750
<i>Total comprehensive income</i>	-	63,750	14,796,375	14,860,125
At 31 December 2021	4,686,858	14,500,035	23,799,422	42,986,315
At 01 January 2020	4,686,858	9,085,499	24,711,240	38,483,597
Transaction with owners				
Allocation of profit to reserves (Note 12)	-	3,988,702	(3,988,702)	-
Dividends declared	-	-	(8,014,527)	(8,014,527)
<i>Total transactions with owners</i>	-	3,988,702	(12,003,229)	(8,014,527)
Profit for the year			8,291,583	8,291,583
<i>Other comprehensive income:</i>				
Transfer of revaluation reserves on disposed tangible assets	-	(5,276)	2,242	(3,034)
Exchange differences on translating	-	(132,786)	-	(132,786)
<i>Total other comprehensive income</i>	-	(138,062)	2,242	(135,820)
<i>Total comprehensive income</i>	-	(138,062)	8,293,825	8,155,763
At 31 December 2020	4,686,858	12,936,139	21,001,836	38,624,833

Statement of cash flows

		(Amounts in Eur)	
	Note	31 December 2021	31 December 2020
Operating			
Net profit before income tax		16,379,326	8,793,912
<u>Adjusted for:</u>			
Depreciation and amortization	5,6	2,224,651	2,262,537
Value adjustment of inventories	8,18	269,052	82,046
Wastage, failure and fracture	8,18	118,087	410,636
Impairment of obsolete consumables and spare parts	8,18	113,070	-
Net carrying amount of equipment written off	5,18	25,034	54,838
Impairment and write offs on trade and other receivables	9,18	1,719	1,223
Shortages	18	577	-
Net carrying amount of equipment sold	5,18	-	14,513
Payables written off and stock - count surplus	20	(12,710)	(12,690)
Gain on property, plant and equipment sold	5,20	(5,801)	(5,476)
Liabilities for dividends written off	20	-	(2,006)
Gains from previously impaired receivables	9,20	-	(460)
Finance result, net	21	(17,086)	12,016
Operating profit before working capital changes		19,095,919	11,611,089
<u>Changes in working capital:</u>			
Inventories		(280,851)	(444,981)
Trade and other receivables		(2,701,127)	2,905,883
Trade and other payables		(141,066)	(449,602)
Cash from operations		15,972,875	13,622,389
Interest paid		(19,483)	(40,650)
Income tax paid		(344,948)	(2,108,496)
Cash flows from operating activities, net		15,608,444	11,473,243
Investing			
Purchase of property, plant and equipment		(1,150,441)	(4,438,416)
Purchase of intangible assets		(45,073)	(35,205)
Proceeds from sale of equipment		5,801	5,476
Outflow for financial receivables		(34,467)	(472,297)
Interest received		35,032	28,389
Cash flows from investing activities, net		(1,189,148)	(4,912,053)
Financing			
New Borrowings		-	-
Repayment of borrowings		(983,824)	(157,411)
Dividends paid and related taxes		(10,494,666)	(8,015,067)
Cash flows from financing activities, net		(11,478,490)	(8,172,478)
Net change in cash and cash equivalents		2,940,806	(1,611,288)
Cash and cash equivalents at beginning	11	7,475,610	9,169,255
Effects of exchange rate changes on cash and cash equivalents		45,474	(82,357)
Cash and cash equivalents at end	11	10,461,890	7,475,610

See accompanying notes to the financial statements

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 Lece Koteski 60A, 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. Ultimate Parent of the Company is Pavlidis.

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 2021 and on 31 December 2020 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 2021 employs 284 persons (2020: 330 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 judgements.

The financial statements have been prepared as of and for the years ended 31 December 2021 and 2020. Current and comparative data stated in these financial statements are expressed in Euros, unless otherwise stated, which is presentation currency, functional currency of the Company is Macedonian Denar.

2.2 Going - concern assumptions

These stand-alone financial statements have been prepared on a going concern basis which presumes the realization of assets and liabilities in the normal course of business. Management of the Company has made overall assessment of impact of COVID-19 and global political - economic and energy crisis on preparation and presentation of these stand-alone financial statements, considering following factors: current and expected profitability, the ability to continue providing services and impairment of assets. These factors do not indicate the existence of material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

2.3 Changes in accounting policies

a) Standards adopted as at 1 January 2021

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

- COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16);
- interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

These amendments do not have a significant impact on the financial statements and therefore the disclosures have not been made.

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;
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4);
- References to the Conceptual Framework;
- Proceeds before Intended Use (Amendments to IAS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41);
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Deferred Tax related to Assets and Liabilities from a Single Transaction.

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.

2.4 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:

Foreign currency translation (continued)

	31 December 2021	31 December 2020
1 USD	54,3736 Denars	50,2353 Denars
1 EUR	61,6270 Denars	61,6940 Denars
Average EUR	61,6275 Denars	61,6742 Denars

2.5 Property, plant and equipment

Items of property, plant and equipment are carried at cost, 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:

Buildings & Foundation	40 years
Machines	10 years
Other equipment	4-5 years
Transport & furniture	4-5 years
Intangibles	5-16 years

The total depreciation during the year ended on 31 December 2021 was Euro 2,224,651.

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.

2.6 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.

2.7 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.

2.8 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.

Financial assets (continued)

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 as 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.

2.9 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.

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').

Impairment of financial assets (continued)

'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.

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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 as liabilities 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.

2.15 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.

2.16 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.

2.17 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.

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.

Lease (continued)

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 recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized 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.

2.18 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.

Current and deferred tax expense (continued)

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 2021 and 2020, as there are no temporary differences existing at that date.

2.19 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.

2.20 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.

2.21 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.

2.22 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.

Revenue and expense recognition (continued)

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.

2.23 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.

2.24 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.

2.25 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.

2.26 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		2021	2020
Financial receivables	EUR	4,043,186	4,008,719
Cash and cash equivalents	EUR	10,380,880	6,972,311
Trade receivables – foreign debtors	EUR	8,095,832	5,379,802
Trade receivables – foreign debtors	USD	25	25
		22,519,923	16,360,857
Liabilities			
Trade payables – foreign suppliers	EUR	(168,760)	(369,076)
Borrowings	EUR	-	(983,824)
		(168,760)	(1,352,900)

Foreign currency sensitivity analysis

	Net amount	+1%	+5%	-1%	-5%
31 December 2021					
EUR	22,351,138	223,511	-	(223,511)	-
USD	25	-	1	-	(1)
Gain or (loss)	22,351,163	223,511	1	(223,511)	(1)
	Net amount	+1%	+5%	-1%	-5%
31 December 2020					
EUR	15,007,932	150,079	-	(150,079)	-
USD	25	-	1	-	(1)
Gain or (loss)	15,007,957	150,079	1	(150,079)	(1)

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%.

Market risk (continued)

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.

	2021 In Euro	2020 In Euro
Assets		
<i>Non-interest bearing:</i>		
Trade and other receivables	8,104,423	5,353,969
Cash and cash equivalents	110	510
	8,104,533	5,354,479
<i>With fixed interest rate:</i>		
Financial receivables	4,043,186	4,008,719
Cash and cash equivalents	10,461,780	7,475,100
	14,504,966	11,483,819
	22,609,499	16,838,298
Liabilities		
<i>Non-interest bearing:</i>		
Trade and other payables	891,205	1,029,216
	891,205	1,029,216
<i>With fixed interest rate:</i>		
Borrowings	-	-
	-	-
<i>With variable interest rate:</i>		
Borrowings	-	983,824
	-	983,824
Interest sensitivity gap	891,205	2,013,040

Interest rate sensitivity analysis

At 31 December 2021	Net amount in Euro	2%	-2%
Borrowings with variable interest rate	-	-	-
At 31 December 2020	Net amount in Euro	2%	-2%
Borrowings with variable interest rate	(983,824)	(19,676)	19,676

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 counterparty. Credit terms to the foreign customers are secured with letter of credits that mature from 30 to 120 days.

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.

Credit risk (continued)

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:

	2021	2020
Classes of financial assets – carrying amounts (in Euro):		
Financial receivables	4,043,186	4,008,719
Cash and cash equivalents	10,461,890	7,475,610
Trade and other receivables	8,104,423	5,353,969
	22,609,499	16,838,298

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 84% of sales (Including Hong – Kong, 2020: Chinese customers at around 83% 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 2021 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 is 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 2021 and 2020, the Company's liabilities have contractual maturities (including interest payments where applicable) as summarized below:

	Current 1 to 12 months	Non – current 1 to 5 years (In Euro)	Non – current Later than 5 years
At 31 December 2021			
Interest – bearing borrowings	-	-	-
Trade and other payables	891,205	-	-
	891,205	-	-

	Current 1 to 12 months	Non – current 1 to 5 years (In Euro)	Non – current Later than 5 years
At 31 December 2020			
Interest – bearing borrowings	157,412	629,647	196,765
Trade and other payables	1,029,216	-	-
	1,186,628	629,647	196,765

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.

Capital risk management (continued)

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:

	2021	2020
	(In Euro)	(In Euro)
Interest-bearing borrowings	-	983,824
Cash and cash equivalents and financial	(14,505,076)	(11,484,329)
Net liabilities	(14,505,076)	(10,500,505)
Shareholders' equity	42,986,315	38,624,833
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 2021.

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	
	2021	2020	2021	2020
	(In Euro)	(In Euro)	(In Euro)	(In Euro)
Assets				
Trade and other receivables	8,104,42	5,353,96	8,104,423	5,353,969
Financial receivables	4,043,18	4,008,71	4,043,186	4,008,719
Cash and cash equivalents	10,461,890	7,475,610	10,461,89	7,475,610
Total assets	22,609,49	16,838,29	22,609,49	16,838,298
Liabilities				
Borrowings	-	983,824	-	983,824
Trade and other payables (without tax liabilities)	891,205	1,029,21€	891,205	1,029,216
	891,205	2,013,040	891,205	2,013,040

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. Management of the Company has taken into consideration the overall impact of COVID-19 and global political and economic crisis in assessing impairment and consider that there is no effect on the impairment of the assets.

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

Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Provisions

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. During 2021 there are no changes made to previous assumption used.

5 Property, plant and equipment

	Land & Buildings	Machinery & equipment	Construction in progress	Total
01 January 2020				
Cost or valuation	6,037,535	24,324,981	793,495	31,156,011
Accumulated depreciation and impairment	(3,071,342)	(14,910,050)	-	(17,981,392)
Net carrying amount	2,966,193	9,414,931	793,495	13,174,619
Year ended 31 December 2020				
Opening net carrying amount	2,966,193	9,414,931	793,495	13,174,619
Translation differences	(10,077)	(32,248)	(2,924)	(45,249)
Additions, net of transfers from C.I.P.	372,492	3,307,146	758,778	4,438,416
Disposals-net	(38,020)	(31,330)	-	(69,350)
Depreciation charge for the year	(156,831)	(1,889,699)	-	(2,046,530)
Closing carrying amount	3,133,757	10,768,800	1,549,349	15,451,906
At 31 December 2020 / 01 January 2021				
Cost or valuation	6,389,561	27,549,009	1,549,349	35,487,919
Accumulated depreciation and impairment	(3,255,804)	(16,780,209)	-	(20,036,013)
Net carrying amount	3,133,757	10,768,800	1,549,349	15,451,906
Year ended 31 December 2021				
Opening net carrying amount	3,133,757	10,768,800	1,549,349	15,451,906
Translation differences	3,412	11,704	1,677	16,793
Additions, net of transfers from C.I.P.	533,050	1,627,372	(1,009,981)	1,150,441
Disposals-net	(8,215)	(16,770)	-	(24,985)
Depreciation charge for the year	(161,272)	(1,838,792)	-	(2,000,064)
Closing carrying amount	3,500,732	10,552,314	541,045	14,594,091
At 31 December 2021				
Cost or valuation	6,780,389	28,855,820	541,045	36,177,254
Accumulated depreciation and impairment	(3,279,657)	(18,303,506)	-	(21,583,163)
Net carrying amount	3,500,732	10,552,314	541,045	14,594,091

Disposals

During year ended 31 December 2021, the Company has written off equipment, furniture, computer hardware and software with net carrying value of Euro 25,034 (31 December 2020: Euro 54,838) included in the administrative and selling expenses (see Note 18).

Furthermore, during year ended 31 December 2021, the Company sold transportation vehicles with total net carrying value of Euro 0 (31 December 2020: Euro 14,513). Sale value of the part related to assets sold is Euro 5,801 (31 December 2020: Euro 19,989). Gain incurred from these transactions amounts to Euro 5,801 (31 December 2020: Euro 5,476), included in other operating income (see Note 20).

Construction in progress

As of 31 December 2021, the balance of construction in progress in the amount of Euro 541,045 (2020: Euro 1,549,349) mainly consists of the cost of construction of new factory installations, including a hall for four gang saws and a hall for another two gang saws for the factory. In addition, there have been works for the installation of a fuel pump station for the quarry and some major repairs of equipment.

Pledge over property, plant and equipment

As of 31 December 2021, 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 (31 December 2020: 3,342,752 Euros) (see Note 26).

6 Intangible assets

	Software	Trademarks	Exploration and evaluation assets	Intangibles in progress	Total
At 01 January 2020					
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
Year ended 31 December 2020					
Opening net carrying amount	83,846	54,370	1,427,798	10,447	1,576,461
Translation differences	(276)	(183)	(4,768)	(40)	(5,267)
Additions, net of transfers from C.I.P. intangibles in progress	5,261	9,680	7,143	13,121	35,205
Depreciation charge for the year	(23,040)	(13,056)	(179,911)	-	(216,007)
Closing carrying amount	65,791	50,811	1,250,262	23,528	1,390,392
At 31 December 2020 / 01 January 2021					
Cost or valuation	272,378	226,591	3,095,433	23,528	3,617,930
Accumulated amortization	(206,587)	(175,780)	(1,845,171)	-	(2,227,538)
Net carrying amount	65,791	50,811	1,250,262	23,528	1,390,392
Year ended 31 December 2021					
Opening net carrying amount	65,791	50,811	1,250,262	23,528	1,390,392
Translation differences	72	55	1,357	26	1,510
Additions, net of transfers from C.I.P.	2,379	13,298	33,209	(3,813)	45,073
Disposals-net	(49)	-	-	-	(49)
Depreciation charge for the year	(22,796)	(14,578)	(187,213)	-	(224,587)
Closing carrying amount	45,397	49,586	1,097,615	19,741	1,212,339
At 31 December 2021					
Cost or valuation	264,658	240,135	3,132,006	19,741	3,656,540
Accumulated amortization	(219,261)	(190,549)	(2,034,391)	-	(2,444,201)
Net carrying amount	45,397	49,586	1,097,615	19,741	1,212,339

Exploration and evaluation assets

As of 31 December 2021, the balance of exploration and evaluation assets in the amount of Euros 1,097,615 (31 December 2020: Euros 1,250,262) includes capitalized expenses related to quarry stripping activities with remaining amortization period for 9 years, geophysics research and quarry 10-year plan.

Intangibles in process of acquisition

As of 31 December 2021, the balance of intangibles in progress in the amount of Euros 19,741 (31 December 2020: Euro 23,528) 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 2021 amounting Euro 2,224,651 (2020: Euro 2,262,537) disclosed in Note 23, Euro 2,126,143 (2020: Euro 2,164,985) has been charged in cost of sales and the remaining in the amount of Euro 98,508 (2020: Euro 97,552) into administrative and selling expenses (see Note 18).

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.

	2021	2020
Assets		
Assets carried at amortized cost		
Trade and other receivables	8,104,423	5,353,969
Financial receivables	4,043,186	4,008,719
Cash and cash equivalents	10,461,890	7,475,610
	22,609,499	16,838,298
Liabilities		
Other financial liabilities at amortized cost		
Borrowings	-	983,824
Trade and other payables	891,205	1,029,216
	891,205	2,013,040

8 Inventories

	2021	2020
Work in progress	3,059,595	3,239,934
Finished products	994,203	836,608
Spare parts	804,903	952,435
Raw materials	191,872	238,133
Trade goods	75,707	75,625
Other	21,766	24,427
	5,148,046	5,367,162

During 2021, the Company recognized expense for wastage, failure and fracture in the amount of Euro 118,087 (2020: Euro 410,636) and stock count shortages in the amount of Euro 577 (2020: Euro 0) accounted for administrative and selling expenses (see Note 18).

Furthermore, as at 31 December 2021 the Company has assessed the net realizable value of the inventories and has decreased its value in total amount of Euro 276,808 (2020: Euro 82,046) (Note 23). The net amount of Euro 269,052 (2020: Euro 82,046) decreased for income from value adjustment of previously written-off inventory in the amount of Euro 7,756, has been charged into administrative and selling expenses (see Note 18 and 23).

As at 31 December 2021 the Company has assessed the net realizable value of spare parts and consumables and has decreased the corresponding value in total amount of Euro 113,070 (31 December 2021: Euro 0) (Note 23). The amount of Euro 113,070 has charged 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 2021 amounts to Euro 3,468,188 (2020: Euro 3,340,346).

9 Trade and other receivables

	2021	2020
Current trade receivables		
Local debtors	28,514	27,923
Foreign debtors	6,170,059	5,330,410
Related parties receivables (Note 24)	1,925,795	49,412
	8,124,368	5,407,745
Less: impairment provision	(70,223)	(70,245)
	8,054,145	5,337,500
Prepayments		
Prepaid VAT	154,298	223,943
Advances to suppliers	67,668	40,871
Deferred expenses	30,993	39,218
Other current receivables	50,278	16,469
	303,237	320,501
Trade and other receivables, net	8,357,382	5,658,001

At 31 December 2021 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	6,114,099	1,940,046	70,223	8,124,368
Less: Impairment provision	-	-	(70,223)	(70,223)
	6,114,099	1,940,046	-	8,054,145

At 31 December 2020 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	5,062,216	275,284	70,245	5,407,74
Less: Impairment provision	-	-	(70,245)	(70,245)
	5,062,216	275,284	-	5,337,500

At 31 December 2021 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	4,003	1,936,043	1,940,046
Overdue more than 1 year	-	-	-
	4,003	1,936,043	1,940,046

At 31 December 2020 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	3,472	271,812	275,284
Overdue more than 1 year	-	-	-
	3,472	271,812	275,284

Trade and other receivables (continued)

The following table presents the movement of impairment provision account for the years ended 31 December 2021 and 2020:

	2021	2020
At 01 January	70,245	69,779
Write off of previously impaired receivables	(177)	(92)
Collected fully provided bad debts (Note 20)	-	(460)
Impairment provision (Note 18)	128	1,104
Translation differences	27	(86)
At 31 December	70,223	70,245

As at 31 December 2021, 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 1,591 (2020 Euro 119) (See note 18).

10 Financial receivables

	2021	2020
Short-term deposits in local banks	4,043,186	4,008,719
	4,043,186	4,008,719

11 Cash and cash equivalents

	2021	2020
Bank accounts	10,461,780	7,475,100
Cash on hand	110	510
	10,461,890	7,475,610

12 Equity

Shares issued

	Number of shares	Ordinary shares	Share premium	Total (Euros)
<i>Authorized, issued and fully paid ordinary shares 1 Euro</i>				
At 01 January 2021 and 2020	4,686,858	4,686,858	-	4,686,858
At 31 December 2021 and 2020	4,686,858	4,686,858	-	4,686,858

The structure of share capital at 31 December 2021 and 2020 is as follows (amounts in Euro):

	Number of shares	Amount in Euros	%
Stone Works Holding Coöperatief U.A Netherlands	4,182,888	4,182,888	89,2
Piraeus Bank S.A. ¹	468,700	468,700	10,0
Other –minority	35,270	35,270	0,7
	4,686,858	4,686,858	100,0

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.

¹In its capacity of the issuer of the ELPIS certificates

Equity (continued)

Other components of equity

	Translation reserves	Investment reserves	Statutory reserves	Revaluation reserve	Total
At 1 January 2021	(94,487)	7,183,869	4,623,476	1,223,281	12,936,139
Allocation of profit to investment reserves	-	1,500,953	-	-	1,500,953
Transfer of profit from investment reserves to retained earnings	-	(807)	-	-	(807)
Translation differences	63,750	-	-	-	63,750
At 31 December 2021	(30,737)	8,684,015	4,623,476	1,223,281	14,500,035
At 1 January 2020	38,299	3,195,167	4,623,476	1,228,557	9,085,499
Allocation of profit to investment reserves	-	3,988,702	-	-	3,988,702
Transfer of revaluation reserves on disposed plant and equipment	-	-	-	(5,276)	(5,276)
Translation differences	(132,786)	-	-	-	(132,786)
At 31 December 2020	(94,487)	7,183,869	4,623,476	1,223,281	12,936,139

Revaluation reserve

Revaluation surplus, which at 31 December 2021 and 2020 amounts 1,223,281 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 2021 and 2020 amount to 4,623,476 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.

With an Assembly decision, statutory reserves can be distributed for dividends to the shareholders and/or for purchase of own shares.

Investment reserves

At 28 May 2021 and according to the Shareholders' Annual Assembly decision no. 02-2550/6, part of the profit for the year 2020, in the amount of 1,500,953 Euros was allocated to reinvested earnings for financing the investment program of the Company.

At 29 June 2020 and according to the Shareholders' Annual Assembly decision no. 02-3430/15, part of the profit for the year 2019, in the amount of 3,988,702 Euros was allocated to reinvested earnings for financing the investment program of the Company.

Dividends

At 10 September 2021 and according to the Shareholders' Assembly decision no. 02-4382/2, the retained earnings realized up to 31 December 2020 in the amount of 10,498,562 Euros were allocated for dividends distribution.

During the period ended 31 December 2021 the Company paid dividends to its shareholders in the total amount of 10,383,780 Euros and in addition 112,690 Euros relating to taxes on dividends paid.

13 Borrowings

	2021	2020
<u>Long – term interest bearing borrowings from banks</u>		
Komercijalna Banka ad, Skopje (original amount: Euro 1,338,000; interest rate 6m. Euribor+3.8%)	-	983,824
	-	983,824
Less: current maturity of long - term borrowings	-	(157,412)
Total long – term borrowings	-	826,412

Borrowings (continued)

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

Total loan repaid during the same period amounts to 983,824 Euros (2020: 157,411 Euros).

The long-term borrowings repayments schedule is as follows:

	2021	2020
Due within 12 months	-	157,412
Due within 1 – 2 years	-	157,412
Due within 2 – 5 years	-	472,235
Due in over 5 years	-	196,765
	-	983,824

14 Trade and other payables

	2021	2020
Trade creditors		
Local suppliers	423,285	350,620
Foreign suppliers	168,760	369,076
Related parties' payables (see Note 24)	-	-
	592,045	719,696
Other current liabilities		
Liabilities to employees and management	291,071	301,493
Customers' prepayments	41,298	72,739
Dividends payable (net of local taxes)	6,700	4,814
Accrued expenses	-	25,727
Interest payable	-	1,536
Other	1,389	1,677
	340,458	407,986
Total trade and other payables	932,503	1,127,682

15 Tax payables

	2021	2020
Concession fees and other levies	105,474	60,395
Withholding tax	6,026	6,569
Personal income tax liabilities	1,896	1,770
	113,396	68,734

16 Sales

	2021	2020
Local market	156,736	141,980
Foreign markets:		
- China ²	25,434,002	18,483,547
- Greece	3,930,063	2,640,854
- Balkan region	365,220	299,509
- Other markets	241,419	567,446
Subtotal sales on foreign markets	29,970,704	21,991,356
Total sales	30,127,440	22,133,336

² Includes mainland China and Hong Kong

17 Cost of sales

	2021	2020
Stock of finished products and W.I.P. at 01 January	4,076,542	4,109,818
Plus: Total production cost for the year ended 31 December	9,442,575	9,350,653
Plus: Income from value adjustment of previously written-off inventory	-	12,924
Plus: Income from value adjustment of obsolete consumables and spare parts consumed	10,334	-
Plus: Cost of various material sold	2,838	494
Use of own products	(112,669)	(115,462)
Wastage, failure and fracture of products (excluding VAT effect)	(100,074)	(383,095)
Shortages (excluding VAT effect)	(244)	-
Less: Valuation allowance of inventories (Note 8)	(269,052)	(82,046)
Less: Valuation allowance of obsolete consumables and spare parts (Note 8)	(113,070)	-
Less: Income from released value adjustment of inventories sold	-	(12,924)
Less: Income from value adjustment of obsolete consumables and spare parts consumed	(10,334)	-
Less: Stock of finished products and W.I.P. at 31 December	(4,053,798)	(4,076,542)
Cost of sales	8,873,048	8,803,820

18 Administrative and selling expenses

	Year ended 31 December 2021		Year ended 31 December 2020	
	Administrative	Selling	Administrative	Selling
Staff costs (Note 19)	1,203,498	158,100	724,453	176,661
Marketing and promotion	118,465	1,949	174,374	1,630
Services	90,033	24,242	60,655	120,302
Professional advisory services	85,815	-	109,714	-
Depreciation and amortization (Note 6)	72,421	26,087	55,315	42,237
Materials, supplies and utilities	54,464	60,512	35,045	43,368
Expenses for operating lease	21,366	-	21,256	-
Taxes and other levies	14,890	2,797	15,762	2,115
Transport of products	-	2,309,961	-	2,021,875
Value adjustment of inventories (Note 8)	-	269,052	-	82,046
Wastage, failure and fracture (Note 8)	-	118,087	-	410,636
Value adjustment of obsolete consumables and spare parts (Note 8)	-	113,070	-	-
Present value of equipment sold and written off (Note 5)	-	25,034	-	54,838
Impairment and write off receivables (Note 9)	-	1,719	-	1,223
Stock count shortages of inventory (Note 8)	-	577	-	-
Other expenses and provisions	42,943	11,095	328,616	67,149
	1,703,895	3,122,282	1,525,190	3,024,080

19 Staff costs

	2021	2020
Net salaries	2,286,097	2,375,921
Personal tax and mandatory contributions	1,066,695	1,169,354
Business trips	17,216	3,810
Other allowances	842,293	414,010
	4,212,301	3,963,095

Staff costs (continued)

Out of the total staff costs for the year ended 31 December 2021 amounting Euro 4,212,301 (2020: 3,963,095), Euro 2,850,703 (2020: Euro 3,061,981) has been charged in cost of sales and the remaining in the amount of Euro 1,361,598 (2020: Euro 901,114) into administrative and selling expenses (see Note 18).

20 Other operating income

	2021	2020
Income from invoicing of transport cost and other services	124,726	-
- Less: Cost associated with the above services	(120,051)	-
Income from health insurance	13,908	13,898
Raw materials sold	13,636	15,487
Payables write offs and stock count surplus	12,710	12,690
Gain on property, plant and equipment sold (Note 5)	5,801	5,476
Income from court verdicts	184	-
Income from rents	49	-
Liabilities for dividends written off	-	2,006
Collected fully provided bad debts	-	460
Other income	4,629	7,037
	55,592	57,054

21 Finance income and costs

	2021	2020
Finance income		
Interest income	35,032	28,389
Foreign exchange gains	229,650	91,756
	264,682	120,145
Finance (costs)		
Interest (expense)	(17,946)	(40,405)
Bank (charges)	(76,970)	(63,171)
Foreign exchange (losses)	(274,247)	(59,957)
	(369,163)	(163,533)
Finance (costs), net	(104,481)	(43,388)

22 Income tax expense

The charge for the year can be reconciled to the profit per Statement of comprehensive income for 2021 and 2020 as follows:

	2021	2020
Profit before income tax	16,379,326	8,793,912
Non – deductible expenses	1,008,208	866,766
Tax basis deductions	(896,243)	(4,009,902)
Translation differences	-	-
At 31 December – Taxable profit	16,491,291	5,650,776
Current tax charge at rate of 10%		
	1,649,129	565,078
Income tax reduction	(66,178)	(62,749)
Income tax (expense)	1,582,951	502,329
Effective tax rate	9,66%	5,71%

23 Expenses by nature

	2021	2020
Staff costs (Note 19)	4,212,301	3,963,095
Transport of products	2,309,961	2,021,875
Depreciation and amortization (Note 6)	2,224,651	2,262,537
Energy and water	1,989,876	1,711,399
Consumed materials, spare parts and small inventory	1,617,751	1,454,505
Services	374,941	504,335
Value adjustment of inventories* (Note 8)	269,052	82,046
Marketing and promotion	120,414	176,004
Wastage, failure and fracture (Note 8)	118,087	410,636
Value adjustment of obsolete consumables and spare parts	113,070	-
Taxes and other contributions	101,165	87,334
Professional advisory services	85,815	109,714
Other expenses and provisions	54,038	395,765
Present value of assets written off (Note 5)	25,034	54,838
Expenses for operating leasing	21,366	21,256
Insurance	14,583	14,515
Representation	14,141	18,170
Transport costs	7,940	30,567
Write off of receivables (Note 9)	1,719	1,223
Shortages (Note 8)	577	-
	13,676,482	13,319,814
Changes of stock of work in progress and finished products	22,744	33,276
	13,699,226	13,353,090

*Valuation allowance of inventories in the amount of Euro 269,052 (2020: Euro 82,046) represents net amount of recognized expenses of Euro 276,808 (2020: Euro 82,046) (Note 8), decreased for income from value adjustment of previously written-off inventory in the amount of Euro 7,756 (2020: Euro 0) (see Note 17).

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 2021 and 2020:

31 December 2021	Receivables	Payables	Revenues	Expenses
Stone Works Holding Coöperatief U.A Netherlands	-	-	-	-
Pavlidis S.A Marble-Granite Drama Greece	1,925,795	-	4,033,683	317,995
Key management remuneration	-	-	-	402,861
	1,925,795	-	4,033,683	720,856
31 December 2020	Receivables	Payables	Revenues	Expenses
Stone Works Holding Coöperatief U.A Netherlands	-	-	-	-
Pavlidis S.A Marble-Granite Drama Greece	49,412	-	2,648,057	407,756
Key management remuneration	-	-	-	589,776
	49,412	-	2,648,057	997,532

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.

	2021	2020
Profit attributable to equity holders of the Company	14,796,375	8,291,583
Weighted average number of ordinary shares (Note 12)	4,686,858	4,686,858
Basic earnings per share (Euros per share)	3,16	1,77

26 Contingent liabilities

Mortgages

Mortgages provided with appraised value are as follows:

	2021	2020
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:

	2021	2020
Business premises	1,136,154	1,160,908
Machinery & equipment	651,858	764,825
	1,788,012	1,925,733

Guarantees

At 31 December 2021 and 2020 there are no issued guarantees.

Litigations

At 31 December 2021, the estimated Euro equivalent of the legal proceedings raised against the Company amounts Euro 1,298 (2020: Euro 41,231). 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 2021 the Company was subject of following tax inspections by tax authorities:

- for VAT until 30 June 2009 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 2021 latest by 30 September 2022 (for 2020: latest by 30 September 2021) in accordance with the Rulebook for the form and content on the Report on transfer pricing (Official Gazette of RNM no. 59/2019). The report for transfer pricing for 2020 was prepared and submitted by 30 September 2021, and until the date of this report, the Company did not prepare a report on transfer pricing for 2021. Furthermore, based on the performed transfer pricing analyze for the year ended as of 31 December 2020, there are no tax corrections.

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 2021 and 2020, the operating lease liabilities relates to lease of vehicles. Repayment schedule of operating lease liabilities is as follows:

	2021	2020
Operating lease liabilities		
Present value of payment:		
Due within 1 year	11,280	20,913
Due between 1 – 5 years	-	11,280
	11,280	32,193

During 2021, the entity has recognized expenses for operating lease in the amount of Euro 21,366 (2020: Euro 21,256) (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 4,611 Euros (31 December 2020: 3,080 Euros); 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 379 Euros / m³ (31 December 2020: 294 Euros /m³);
 - tombolons at 5% of the value of material determined at 190 Euros /m³ (31 December 2020: 147 Euros /m³) and
 - material other than blocks and tombolons, that is crashed or milled 0,325 Euros/t.

At 12 February 2021 in Public Gazette of RNM was published decision that the Company is awarded to extend concession territory for additional 0,305625 km². At 02 March 2021 the Government of RNM represented by Ministry of Economy and the Company has signed annex agreement for concession and determinate the territory for concession - 2,188135 km².

29 Information on operating segments

As of 31 December 2021 and 2020, the Company is organized into the following operating segments:

- a. quarry;
- b. factory.

Operating results per segments for the years ended 31 December 2021 and 2020, are as follows:

Information on operating segments (continued)

Year ended 31 December 2021	Quarr	Factory	Total
Sales	29,640,967	486,473	30,127,440
Profit/loss from operating activities	16,549,459	(65,652)	16,483,807
Financial result, net			(104,481)
Profit before income tax			16,379,326
Income tax expense			(1,582,951)
Profit for the year			14,796,375
Other comprehensive income			63,750
Total comprehensive income for the year			14,860,125
Year ended 31 December 2020	Quarry	Factory	Total
Sales	21,548,076	585,260	22,133,336
Profit from operating activities	8,812,653	24,647	8,837,300
Financial result, net			(43,388)
Profit before income tax			8,793,912
Income tax expense			(502,329)
Profit for the year			8,291,583
Other comprehensive income			(132,786)
Total comprehensive income for the year			8,158,797

Segment assets and liabilities as of 31 December 2021 and 2020 are as follows:

	Quarry	Factory	Total
31 December 2021			
Total assets	36,758,231	7,273,983	44,032,214
Liabilities	1,029,010	16,889	1,045,899
Capital expenditures	502,474	693,040	1,195,514
31 December 2020			
Total assets	33,688,476	7,116,597	40,805,073
Liabilities	2,148,603	31,637	2,180,240
Capital expenditures	3,254,464	1,219,157	4,473,621

Sales per geographical regions are as follows:

	2021	2020
North Macedonia	156,736	141,980
China ³	25,434,002	18,483,547
Greece	3,930,063	2,640,854
Balkan region	365,220	299,509
Other markets	241,419	567,446
	30,127,440	22,133,336

During 2021, Euro 11,879,425 or 39.43% (2020: Euro 5,821,361 or 26.30%) of the Company's revenues depended on two single customers (one from China and one from Greece), which individually represents more than 10% of revenues (2020: two single customers, one from China and one from Greece).

³ Includes mainland China and Hong Kong

30 Events after the reporting date

After 31 December 2021 to the reporting date until the approval of these Financial Statements, the following event is materially significant for disclosure in these financial statements:

- The Company has no direct exposure whatsoever to the Russian or Ukrainian markets. Still, a protracted war could have an adverse effect on the operation of the Company because of global economic and energy crisis. The Company's management is still not in a position with reasonable assurance to quantify the effect of a crisis. The management of the Company estimates that, until the date of issuance of the financial statements, the operation and financial condition of the Company are materially unchanged as a result of the crisis.

The management of the Company considers that this event is non-adjusting event after the reporting period.



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