

KARTEREDA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2011

KARTEREDA HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2011

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KARTEREDA HOLDINGS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Androulla Zavalli Teves

Company Secretary:

Brena Services Limited
8 Zinonos Kitieos street
Kato Lakatamia
2322 Nicosia, Cyprus

Independent Auditors:

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

Registered office:

9A Falirou street
Pallouriotissa
1046 Nicosia
Cyprus

KARTEREDA HOLDINGS LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2011.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of finance.

Review of current position, future developments and significant risks

The Company has incurred losses during the year. However the board of directors expects that the appreciation of the value of the investment in the subsidiary company in the forthcoming years will outweigh these losses.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 3 of the financial statements.

Results

The Company's results for the year are set out on page 5. The net loss for the year is carried forward.

Share capital

Issued capital

On 4 February 2011, the Company issued 300 shares of nominal value €1 each at the price of €12.000 per share representing €11.999 share premium per share.

Board of Directors

The member of the Company's Board of Directors as at the date of this report is presented on page 1. The sole director was a member of the Board of Directors throughout the year ended 31 December 2011.

There were no significant changes in the remuneration of the Board of Directors.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 16 to the financial statements.

Independent Auditors

The Independent Auditors, Horwath DSP Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Androulla Zavalli Teves
Director

Nicosia, 19 January 2012

Independent auditor's report

To the Members of Kartereda Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of parent company Kartereda Holdings Limited (the "Company") on pages 5 to 16, which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors as well as evaluating the overall presentation of the financial statements.

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

Independent auditor's report (continued)

To the Members of Kartereda Holdings Limited

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the parent company Kartereda Holdings Limited as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on other legal requirements

Pursuant to the requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

Other matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Law of 2009 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

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

Nicosia, 19 January 2012

KARTEREDA HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	2011 €	2010 €
		-	-
Administration expenses		<u>(7.836)</u>	(6.899)
Operating loss		(7.836)	(6.899)
Finance costs	5	<u>(1.610)</u>	(380)
Loss before tax		(9.446)	(7.279)
Tax	6	<u>(3)</u>	(3)
Net loss for the year		(9.449)	(7.282)
Other comprehensive income		<u>-</u>	-
Total comprehensive expense for the year		<u>(9.449)</u>	(7.282)

The notes on pages 9 to 16 form an integral part of these financial statements.

KARTEREDA HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Note	2011 €	2010 €
ASSETS			
Non-current assets			
Investments in subsidiaries	7	<u>13.600.057</u>	10.000.057
		13.600.057	10.000.057
Current assets			
Receivables	9	1.469	1.469
Available-for-sale financial assets	8	414	414
Cash at bank and in hand	10	<u>16.589</u>	26.850
		18.472	28.733
Total assets		<u>13.618.529</u>	<u>10.028.790</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	2.303	2.003
Share Premium		13.649.697	10.049.997
Accumulated losses		<u>(50.860)</u>	(41.411)
Total equity		<u>13.601.140</u>	<u>10.010.589</u>
Current liabilities			
Trade and other payables	13	17.271	18.190
Borrowings	12	103	-
Current tax liabilities	14	<u>15</u>	11
		17.389	18.201
Total equity and liabilities		<u>13.618.529</u>	<u>10.028.790</u>

On 19 January 2012 the Board of Directors of Kartereda Holdings Limited authorised these financial statements for issue.

.....
Androulla Zavalli Teves
Director

The notes on pages 9 to 16 form an integral part of these financial statements.

KARTEREDA HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Note	Share capital €	Share premium €	Accumulated losses €	Total €
Balance at 1 January 2010		2.000	10.014.000	(34.129)	9.981.871
Total comprehensive expense for the year		-	-	(7.282)	(7.282)
Issue of share capital	11	<u>3</u>	<u>35.997</u>	<u>-</u>	<u>36.000</u>
Balance at 31 December 2010/ 1 January 2011		<u>2.003</u>	<u>10.049.997</u>	<u>(41.411)</u>	<u>10.010.589</u>
Total comprehensive expense for the year		-	-	(9.449)	(9.449)
Transactions with owners					
Issue of share capital	11	<u>300</u>	<u>3.599.700</u>	<u>-</u>	<u>3.600.000</u>
Balance at 31 December 2011		<u>2.303</u>	<u>13.649.697</u>	<u>(50.860)</u>	<u>13.601.140</u>

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter) will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 9 to 16 form an integral part of these financial statements.

KARTEREDA HOLDINGS LIMITED

CASH FLOW STATEMENT

Year ended 31 December 2011

	Note	2011 €	2010 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		<u>(9.446)</u>	<u>(7.279)</u>
Cash flows used in operations before working capital changes		<u>(9.446)</u>	<u>(7.279)</u>
Decrease in trade and other payables		<u>(919)</u>	-
Cash flows used in operations		<u>(10.365)</u>	<u>(7.279)</u>
Tax refunded		<u>1</u>	-
Net cash flows used in operating activities		<u>(10.364)</u>	<u>(7.279)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	7	<u>(3.600.000)</u>	-
Net cash flows used in investing activities		<u>(3.600.000)</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		<u>3.600.000</u>	<u>36.000</u>
Net cash flows from financing activities		<u>3.600.000</u>	<u>36.000</u>
Net (decrease) / increase in cash and cash equivalents		<u>(10.364)</u>	<u>28.721</u>
Cash and cash equivalents:			
At beginning of the year		<u>26.850</u>	<u>(1.871)</u>
At end of the year	10	<u>16.486</u>	<u>26.850</u>

The notes on pages 9 to 16 form an integral part of these financial statements.

KARTEREDA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

1. Incorporation and principal activities

Country of incorporation

The Company Kartereda Holdings Limited (the "Company") was incorporated in Cyprus on 13 November 2006 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at 9A Falirou street, Pallouriotissa, 1046 Nicosia, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding of investments and provision of finance.

2. Accounting policies

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

Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the ultimate parent company publishes consolidated financial statements in accordance with Generally Accepted Accounting Principles in Greece and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2011.

Since the 7th Directive of the European Union permits the preparation of consolidated financial statements in accordance with the Directive or in a manner equivalent to the Directive, and since the Cyprus Companies Law, Cap. 113, provides the aforementioned exemption, the provisions of International Accounting Standard 27 "Consolidated and separate financial statements" that require the preparation of consolidated financial statements in accordance with IFRS do not apply.

The financial statements have been prepared under the historical cost convention

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2011. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

KARTEREDA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

2. Accounting policies (continued)

Subsidiary companies

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

Finance costs

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

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

(1) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets, unless management intends to dispose of the investment within twelve months of the reporting date.

(2) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Company's right to receive payments is established.

KARTEREDA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

KARTEREDA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

2. Accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

3. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

KARTEREDA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

3. Financial risk management (continued)

3.2 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

3.3 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

4. Expenses by nature

	2011	2010
	€	€
Auditors' remuneration	2.300	2.300
Accounting fees	1.725	1.840
Other professional fees	2.661	1.609
Administration expenses	1.150	1.150
Total expenses	7.836	6.899

5. Finance costs

	2011	2010
	€	€
Other finance expenses	1.610	380
	1.610	380

6. Tax

	2011	2010
	€	€
Defence contribution - current year	3	3
Charge for the year	3	3

KARTEREDA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

6. Tax (continued)

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

	2011	2010
	€	€
Loss before tax	(9.446)	(7.279)
Tax calculated at the applicable tax rates	(945)	(728)
Tax effect of expenses not deductible for tax purposes	945	-
Tax effect of allowances and income not subject to tax	-	728
Defence contribution current year	3	3
Tax charge	3	3

The corporation tax rate is 10%.

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 30 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (in 2011 the rate was 15% up to 30 August 2011 and 17% thereafter).

7. Investments in subsidiaries

	2011	2010
	€	€
Balance at 1 January	10.000.057	10.000.057
Additions	3.600.000	-
Balance at 31 December	13.600.057	10.000.057

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Holding %</u>
CLH Estate SRL	Romania	Investment property	100

On 28 March 2011 the subsidiary company CLH Estate S.R.L issued additional 1.517.400 shares of 10 Ron each. The Company contributed fully to the increase.

8. Available-for-sale financial assets

	2011	2010
	€	€
Balance at 1 January	414	414
Balance at 31 December	414	414

Available-for-sale financial assets are fair valued annually at the close of business on 31 December. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Available-for-sale financial assets are classified as non-current assets, unless they are expected to be realised within twelve months from the reporting date or unless they will need to be sold to raise operating capital.

KARTEREDA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

9. Receivables

	2011	2010
	€	€
Shareholders' current accounts - debit balances (Note 15)	319	319
Deposits and prepayments	1.150	1.150
	1.469	1.469

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

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the financial statements.

10. Cash at bank and in hand

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

	2011	2010
	€	€
Cash at bank and in hand	16.589	26.850
Bank overdrafts (Note 12)	(103)	-
	16.486	26.850

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

11. Share capital

	2011	2011	2010	2010
	Number of shares	€	Number of shares	€
Authorised				
Ordinary shares of €1 each	5.000	5.000	5.000	5.000
Issued and fully paid				
Balance at 1 January	2.003	2.003	2.000	2.000
Issue of shares	300	300	3	3
Balance at 31 December	2.303	2.303	2.003	2.003

Issued capital

On 4 February 2011, the Company issued 300 shares of nominal value €1 each at the price of €12.000 per share representing €11.999 share premium per share.

12. Borrowings

	2011	2010
	€	€
Current borrowings		
Bank overdrafts (Note 10)	103	-

KARTEREDA HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

13. Trade and other payables

	2011	2010
	€	€
Accruals	2.300	2.300
Other creditors	2.530	3.449
Payables to related companies (Note 15)	12.441	12.441
	<u>17.271</u>	<u>18.190</u>

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

14. Current tax liabilities

	2011	2010
	€	€
Special contribution for defence	15	11
	<u>15</u>	<u>11</u>

15. Related party transactions

The following transactions were carried out with related parties:

15.1 Payables to related parties (Note 13)

Name	Nature of transactions	2011	2010
		€	€
Correa Holdings Limited	Finance	12.441	12.441
		<u>12.441</u>	<u>12.441</u>

15.2 Shareholders' current accounts - debit balances (Note 9)

	2011	2010
	€	€
At 31 December	319	319
	<u>319</u>	<u>319</u>

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

16. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent Auditor's report on pages 3 and 4

KARTEREDA HOLDINGS LIMITED

DETAILED INCOME STATEMENT

Year ended 31 December 2011

	Page	2011 €	2010 €
Operating expenses			
Administration expenses	18	<u>(7.836)</u>	<u>(6.899)</u>
Operating loss		(7.836)	(6.899)
Finance costs	19	<u>(1.610)</u>	<u>(380)</u>
Net loss for the year before tax		<u>(9.446)</u>	<u>(7.279)</u>

KARTEREDA HOLDINGS LIMITED

OPERATING EXPENSES

Year ended 31 December 2011

	2011	2010
	€	€
Administration expenses		
Auditors' remuneration	2.300	2.300
Accounting fees	1.725	1.840
Other professional fees	2.661	1.609
Administration expenses	1.150	1.150
	<u>7.836</u>	<u>6.899</u>

KARTEREDA HOLDINGS LIMITED

FINANCE COSTS
Year ended 31 December 2011

	2011	2010
	€	€
Finance costs		
Other finance expenses		
Bank charges	<u>1.610</u>	<u>380</u>
	<u>1.610</u>	<u>380</u>

KARTEREDA HOLDINGS LIMITED

COMPUTATION OF DEFENCE CONTRIBUTION
Year ended 31 December 2011

	Income €	Rate	Defence € c
INTEREST			
Deemed interest receivable on debit balances of directors and shareholders	<u>29</u>		
	<u>29</u>		
Interest that was earned up to 30 August 2011	19	10%	1,90
Interest that was earned after 30 August 2011	<u>10</u>	15%	1,50
	<u>29</u>		
DEFENCE CONTRIBUTION DUE TO IRD			<u>3,40</u>

KARTEREDA HOLDINGS LIMITED

COMPUTATION OF CORPORATION TAX
Year ended 31 December 2011

Net loss per detailed statement of comprehensive income	Page 17	€	€ (9.446)
<u>Add:</u>			
Expenses not allowable for tax purposes:			
Non-allowable expenses		<u>9.446</u>	<u>9.446</u>
Chargeable income for the year			<u><u>-</u></u>

KARTEREDA HOLDINGS LIMITED

**9A Falirou street
Pallouriotissa
1046 Nicosia
Cyprus**

Nicosia, 19 January 2012

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

Dear Sirs,

Financial Statements - 31 December 2011

This representation letter is provided in connection with your audit of the financial statements of Kartereda Holdings Limited for the year ended 31 December 2011.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

- 1) We acknowledge our responsibility for the fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.
- 2) There have been no:
 - Irregularities involving management or employees who have significant roles in the internal control structure.
 - Irregularities involving other employees that could have a material effect on the financial statements.
 - Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
- 3) The financial statements are free of material errors and omissions.
- 4) We have made available to you all books of account, supporting documentation, agreements, details of all bank accounts and all minutes of meetings of shareholders and board of directors.
- 5) We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
- 6) The Company has satisfactory title to all assets and there are no liens, or encumbrances on the Company's assets except as noted in the financial statements.
- 7) We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.
- 8) We confirm that all amounts owed to the Company are fully recoverable.
- 9) No events have occurred subsequent to the reporting date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
- 10) We have informed you of all outstanding and possible claims, whether or not they have been discussed with legal counsel.
- 11) To the best of our knowledge and belief, the information disclosed in the financial statements in respect of parties which control the entity is complete and accurate.

- 12) To the best of our knowledge and belief, there were no material related party transactions at any time during the reporting period which fall to be disclosed other than as indicated in the financial statements.
- 13) Except as disclosed in the financial statements, the results for the year were not materially affected by transactions of a type not usually undertaken by the entity, circumstances of a non recurrent or exceptional nature or any change in accounting policies.
- 14) We confirm that we have reviewed going concern considerations and are satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion, we have taken into account all relevant matters of which we are aware and have considered a future period of at least one year from the date the financial statements are to be approved.
- 15) We have also considered the adequacy of the disclosures in the financial statements relating to going concern and are satisfied that sufficient disclosure has been made in order to give a fair presentation.
- 16) The Company has complied with all aspects of contractual agreements, that would have a material effect on the financial statements in the event of non-compliance.
- 17) We confirm that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully,
For Kartereda Holdings Limited

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Androulla Zavalli Teves
Director