

GAWLING COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December, 2012

(Client's Copy)

GAWLING COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2012

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GAWLING COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors: Dimitra Karkalli - Appointed on 14 February 2012
A.M.K Trustee Services Ltd - Resigned on 14 February 2012

Company Secretary: M. Kyprianou Fiduciaries Ltd

Independent Auditors: Yiallourides & Partners Ltd
Chartered Accountants

Registered office: 116 Gladstonos street
M. Kyprianou Tower, 3rd and 4th floors
3032 Limassol
Cyprus

Bankers: Hellenic Bank Public Company Ltd
BKS BANK JSC

Registration number: HE158664

GAWLING COMPANY LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2012.

Principal activities

The principal activities of the Company, which are unchanged from last year, are to act as a holding, investment and financing company.

Review of current position, future developments and significant risks

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

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.

Dividends

The Board of Directors does not recommend the payment of a dividend and the net profit for the year is retained.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The member of the Company's Board of Directors as at 31 December 2012 and at the date of this report is presented on page 1. A.M.K. Trustees Services Ltd who were appointed directors at the date of incorporation resigned on 14 February 2012 and on the same date Mrs. Dimitra Karkalli was appointed in their place.

In accordance with the Company's Articles of Association the sole director presently member of the Board continues in office.

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

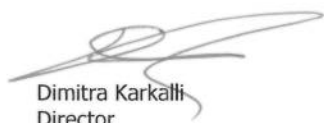
Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 18 to the financial statements.

Independent Auditors

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

By order of the Board of Directors,



Dimitra Karkalli
Director

Limassol, 11 June 2014

Independent auditor's report

To the Members of Gawling Company Limited

Report on the financial statements

We have audited the financial statements of Gawling Company Limited (the "Company") on pages 5 to 20 which comprise the statement of financial position as at 31 December 2012, 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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Gawling Company Limited as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Independent auditor's report (continued)

To the Members of Gawling Company Limited

Report on other legal requirements

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

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

Other matter

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



George Yiallourides

~~Certified Public Accountant~~ and Registered Auditor
for and on behalf of

Yiallourides & Partners Ltd
Chartered Accountants

Limassol, 11 June 2014

GAWLING COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Note	2012 EUR	2011 EUR
Dividend income		638,138	7,926
Loan interest income		700,201	782,685
Net gain/(loss) on trading in financial instruments		29,249,911	(811,294)
Income from repo loans		5,003,277	1,951,348
Loan interest expense		<u>(1,384,541)</u>	-
Total revenue		34,206,986	1,930,665
Administration and other expenses		<u>(2,276,083)</u>	(195,946)
Operating profit	5	31,930,903	1,734,719
Net finance income/(cost)	6	2,777,117	(701,487)
Write off of overdue indebtedness		-	(2,022)
Profit before tax		34,708,020	1,031,210
Tax	7	<u>(78,627)</u>	(85,283)
Net profit for the year		34,629,393	945,927
Other comprehensive income		-	-
Total comprehensive income for the year		<u>34,629,393</u>	<u>945,927</u>


The notes on pages 9 to 20 form an integral part of these financial statements.

GAWLING COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION 31 December 2012

	Note	2012 EUR	2011 EUR
ASSETS			
Non-current assets			
Non-current loans receivable	9	<u>7,243,953</u>	5,265,508
		<u>7,243,953</u>	<u>5,265,508</u>
Current assets			
Trade and other receivables	10	228,786,658	2,014,786
Repo loans to related companies	15	369,341,893	97,802,326
Shareholders' current accounts - debit balances	15	11,847	11,847
Loans receivable	9	17,093,533	1,645,443
Loans to related companies	15	-	837,897
Financial assets at fair value through profit or loss	11	171,347,123	27,274,191
Cash at bank		<u>462,427</u>	92,825
		<u>787,043,481</u>	<u>129,679,315</u>
Total assets		<u>794,287,434</u>	<u>134,944,823</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	12	1,710	1,710
Share premium		16,037	16,037
Translation reserve		(1,468,917)	(3,553,442)
Retained earnings		<u>105,196,139</u>	<u>70,566,746</u>
Total equity		<u>103,744,969</u>	<u>67,031,051</u>
Non-current liabilities			
Loans from related companies	15	<u>75,759,716</u>	-
		<u>75,759,716</u>	-
Current liabilities			
Trade and other payables	13	614,385,420	11,916,761
Payables to related companies	15	-	55,687,249
Short term loans		318,702	-
Current tax liabilities	14	<u>78,627</u>	309,762
		<u>614,782,749</u>	<u>67,913,772</u>
Total liabilities		<u>690,542,465</u>	<u>67,913,772</u>
Total equity and liabilities		<u>794,287,434</u>	<u>134,944,823</u>

On 11 June 2014 the Board of Directors of Gawling Company Limited authorised these financial statements for issue.


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Dimitra Karkalli
Director

The notes on pages 9 to 20 form an integral part of these financial statements.

GAWLING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

	Note	Share capital EUR	Share premium EUR	Translation reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2011		1,710	16,037	(2,011,664)	70,071,060	68,077,143
Net profit for the year		-	-	-	945,927	945,927
Dividends	8	-	-	-	(450,241)	(450,241)
Translation reserve for the year		-	-	(1,541,778)	-	(1,541,778)
Balance at 31 December 2011/ 1 January 2012		1,710	16,037	(3,553,442)	70,566,746	67,031,051
Net profit for the year		-	-	-	34,629,393	34,629,393
Translation reserve for the year		-	-	2,084,525	-	2,084,525
Balance at 31 December 2012		1,710	16,037	(1,468,917)	105,196,139	103,744,969

Share premium is not available for distribution.

The notes on pages 9 to 20 form an integral part of these financial statements.

GAWLING COMPANY LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Note	2012 EUR	2011 EUR
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		34,708,020	1,031,210
Adjustments for:			
Unrealised exchange (profit) /loss		(2,770,958)	698,850
Fair value losses on financial assets at fair value through profit or loss		598,846	35,164
Dividend income		(638,138)	(7,926)
Interest income	6	(720,559)	(782,685)
Translation reserve for the year		2,084,525	(1,541,778)
Cash flows from/(used in) operations before working capital changes		33,261,736	(567,165)
Increase in trade and other receivables		(226,771,872)	(172,095)
Increase in receivables from related companies		(271,539,567)	(97,802,326)
Increase in financial assets at fair value through profit or loss		(144,671,778)	(25,146,938)
Increase in trade and other payables		602,468,659	3,900,892
(Decrease)/increase in payables to related companies		(55,687,249)	5,357,223
Cash flows used in operations		(62,940,071)	(114,430,409)
Interest received		700,201	782,685
Dividends received		638,138	7,926
Tax paid		(309,762)	(91,831)
Net cash flows used in operating activities		(61,911,494)	(113,731,629)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans granted		(16,588,638)	-
Loans repayments received		-	114,001,283
Interest received		20,358	-
Net cash flows (used in)/from investing activities		(16,568,280)	114,001,283
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		318,702	-
Proceeds from loans from related companies		75,759,716	-
Unrealised exchange profit /(loss)		2,770,958	(698,850)
Dividends paid		-	(450,241)
Net cash flows from/(used in) financing activities		78,849,376	(1,149,091)
Net increase /(decrease) in cash and cash equivalents		369,602	(879,437)
Cash and cash equivalents:			
At beginning of the year		92,825	972,262
At end of the year		462,427	92,825

The notes on pages 9 to 20 form an integral part of these financial statements.

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation

The Company Gawling Company Limited (the "Company") was incorporated in Cyprus on 18 March 2005 as a private limited liability Company under the Cyprus Companies Law, Cap. 113. Its registered office is at 116 Gladstonos street, M. Kyprianou Tower, 3rd and 4th floors, 3032 Limassol, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, are to act as a holding, investment and financing company.

2. Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings, investment property, available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit or loss.

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

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, 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.

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- **Income from investments in securities**

Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in securities is recognised on an accruals basis.

Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to profit or loss.

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2012 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as fair value gains or losses on investments, taking into account any amounts charged or credited to profit or loss in previous periods.

- **Interest income**

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

- **Dividend income**

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

Finance income

Finance income includes interest income which is recognised based on an accrual basis.

Finance costs

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

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (EUR), which is the Company's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

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.

Dividends

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

Financial instruments

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

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. The amortised cost is the amount at which the loan granted is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectibility. All loans are recognised when cash is advanced to the borrower.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Financial assets

(1) Classification

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

- Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

(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. 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.

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.

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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 statement of cash flows, cash and cash equivalents comprise cash at bank and in hand.

Trade payables

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

Derecognition of financial assets and liabilities

Financial assets

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

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

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

2. Accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

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 market price risk, interest rate risk, credit risk, liquidity risk, currency 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 Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's available-for-sale financial assets and financial assets at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of the investment portfolio.

3.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3.3 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.

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. Financial risk management (continued)

3.4 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.

3.5 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and Russian Roubles. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3.6 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.

The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Provision for bad and doubtful debts**

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

4. Critical accounting estimates and judgments (continued)

• Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

• Fair value of financial assets

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets available for sale has been estimated based on the fair value of these individual assets.

5. Operating profit

	2012 EUR	2011 EUR
Operating profit is stated after charging the following items:		
Auditors' remuneration	<u>14,280</u>	<u>11,560</u>

6. Finance income/cost

	2012 EUR	2011 EUR
Interest income	20,358	-
Exchange profit	<u>4,136,704</u>	<u>1,012,891</u>
Finance income	<u>4,157,062</u>	<u>1,012,891</u>
Net foreign exchange transaction losses	<u>(1,367,966)</u>	<u>(1,712,704)</u>
Sundry finance expenses	<u>(11,979)</u>	<u>(1,674)</u>
Finance costs	<u>(1,379,945)</u>	<u>(1,714,378)</u>
Net finance income/(cost)	<u>2,777,117</u>	<u>(701,487)</u>

7. Tax

	2012 EUR	2011 EUR
Corporation tax - current year	78,627	84,543
Overseas tax	-	740
Charge for the year	<u>78,627</u>	<u>85,283</u>

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

7. Tax (continued)

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

	2012 EUR	2011 EUR
Profit before tax	<u>34,708,020</u>	<u>1,031,210</u>
Tax calculated at the applicable tax rates	3,470,802	103,121
Tax effect of expenses not deductible for tax purposes	503,480	-
Tax effect of allowances and income not subject to tax	(3,902,803)	(18,578)
10% additional charge	7,148	-
Overseas tax in excess of credit claim used during the year	-	740
Tax charge	<u>78,627</u>	<u>85,283</u>

The corporation tax rate is 10%.

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 30 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 30 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011).

8. Dividends

	2012 EUR	2011 EUR
Final dividend paid	-	450,241
	<u>-</u>	<u>450,241</u>

Dividends are subject to a deduction of special contribution for defence at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 30 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011) for individual shareholders that are residents of Cyprus.

9. Non-current loans receivable

	2012 EUR	2011 EUR
Loans receivable	<u>24,337,486</u>	<u>6,910,951</u>
Less current portion	<u>(17,093,533)</u>	<u>(1,645,443)</u>
Non-current portion	<u>7,243,953</u>	<u>5,265,508</u>

The loans are repayable as follows:

	2012 EUR	2011 EUR
Within one year	17,093,533	1,645,443
Between one and five years	<u>7,243,953</u>	<u>5,265,508</u>
	<u>24,337,486</u>	<u>6,910,951</u>

The exposure of the Company to credit risk is reported in note 3 of the financial statements.

The fair value of receivable loans approximates to their carrying amounts as presented above.

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

9. Non-current loans receivable (continued)

The effective interest rates on receivables (current and non current) were as follows:

	2012	2011
Loans receivable	6-8.50%	6-8.50%

10. Trade and other receivables

	2012 EUR	2011 EUR
Trade receivables	19,318,249	569,928
Deposits and prepayments	-	386,429
Repo loans receivable	208,372,451	-
Bills of exchange	1,095,958	1,058,429
	<u>228,786,658</u>	<u>2,014,786</u>

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.

11. Financial assets at fair value through profit or loss

	2012 EUR	2011 EUR
Balance at 1 January	27,274,191	-
Additions	144,671,778	27,309,355
Change in fair value	(598,846)	(35,164)
Balance at 31 December	<u>171,347,123</u>	<u>27,274,191</u>

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices. Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

In the statement of cash flows, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

12. Share capital

	2012 Number of shares	2012 EUR	2011 Number of shares	2011 EUR
Authorised				
Ordinary shares of €1.71 each	<u>1,000</u>	<u>1,710</u>	<u>1,000</u>	<u>1,710</u>
Issued and fully paid				
Balance at 1 January	<u>1,000</u>	<u>1,710</u>	<u>1,000</u>	<u>1,710</u>
Balance at 31 December	<u>1,000</u>	<u>1,710</u>	<u>1,000</u>	<u>1,710</u>

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

13. Trade and other payables

	2012	2011
	EUR	EUR
Trade payables	71,308,716	11,916,760
Repo loans payable	543,062,423	-
Accruals	14,281	1
	<u>614,385,420</u>	<u>11,916,761</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

	2012	2011
	EUR	EUR
Corporation tax	<u>78,627</u>	<u>309,762</u>
	<u>78,627</u>	<u>309,762</u>

15. Related party transactions

The following transactions were carried out with related parties:

15.1 Repo loans to related parties

<u>Name</u>	2012	2011
	EUR	EUR
Related company	<u>369,341,893</u>	<u>97,802,326</u>
	<u>369,341,893</u>	<u>97,802,326</u>

Repo loans consists of Open Joint Stock Equity securities.

15.2 Loans to related parties

	2012	2011
	EUR	EUR
Loans to related parties	<u>-</u>	<u>837,897</u>
	<u>-</u>	<u>837,897</u>

The loans to related company are unsecured and carry interest at the rate of 2% per annum.

15.3 Payables to related parties

<u>Name</u>	<u>Nature of transactions</u>	2012	2011
		EUR	EUR
Related company	Trade	<u>-</u>	<u>55,687,249</u>
		<u>-</u>	<u>55,687,249</u>

15.4 Loans from related companies

	2012	2011
	EUR	EUR
Loans from related companies	<u>75,759,716</u>	<u>-</u>
	<u>75,759,716</u>	<u>-</u>

The loan from related company carries interest at the rate of 12.75% p.a. and is repayable no later than 8 November 2015.

GAWLING COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

15. Related party transactions (continued)

15.5 Shareholders' current accounts - debit balances

	2012	2011
	EUR	EUR
Shareholder's current account	<u>11,847</u>	<u>11,847</u>
	<u>11,847</u>	<u>11,847</u>

The shareholder's current account is interest free, and has no specified repayment date.

16. Contingent liabilities

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

17. Commitments

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

18. Events after the reporting period

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

Independent auditor's report on pages 3 and 4

GAWLING COMPANY LIMITED

DETAILED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2012

	Page	2012 EUR	2011 EUR
Revenue			
Dividend income		638,138	7,926
Loan interest income		700,201	782,685
Net gain/(loss) on trading in financial instruments		29,249,911	(811,294)
Income from repo loans		5,003,277	1,951,348
Loan interest expense		(1,384,541)	-
Total revenue		34,206,986	1,930,665
Other operating expenses	22	(1,677,237)	(160,782)
Fair value losses on financial assets at fair value through profit or loss		(598,846)	(35,164)
Operating profit		31,930,903	1,734,719
Finance income	23	4,157,062	1,012,891
Finance costs	23	(1,379,945)	(1,714,378)
Write off of overdue indebtedness		-	(2,022)
Net profit for the year before tax		34,708,020	1,031,210

GAWLING COMPANY LIMITED

OPERATING EXPENSES

Year ended 31 December 2012

	2012	2011
	EUR	EUR
Other operating expenses		
Sundry expenses	-	272
Auditors' remuneration	14,280	11,560
Other professional fees	11,985	8,253
Management fees	1,798	1,574
Consultancy fees	109,966	6,051
Portfolio manager fees	1,539,208	133,072
	<u>1,677,237</u>	<u>160,782</u>

GAWLING COMPANY LIMITED

FINANCE INCOME/COST

Year ended 31 December 2012

	2012 EUR	2011 EUR
Finance income		
Bank interest	20,358	-
Realised exchange profit	-	3,670
Unrealised exchange profit	<u>4,136,704</u>	<u>1,009,221</u>
	<u>4,157,062</u>	<u>1,012,891</u>
Finance costs		
Sundry finance expenses		
Bank charges	11,979	1,674
Net foreign exchange transaction losses		
Realised exchange loss	2,220	4,633
Unrealised exchange loss	<u>1,365,746</u>	<u>1,708,071</u>
	<u>1,379,945</u>	<u>1,714,378</u>

GAWLING COMPANY LIMITED

COMPUTATION OF CORPORATION TAX

Year ended 31 December 2012

Net profit per income statement	Page 21	EUR	EUR 34,708,020
<u>Add:</u>			
Fair value losses on financial assets at fair value through profit or loss		598,846	
Unrealised exchange loss		1,365,746	
Disallowed interest		1,384,541	
Portfolio manager fees		1,539,208	
Apportionment of expenses based on asset method		<u>146,464</u>	
			<u>5,034,805</u>
			39,742,825
<u>Less:</u>			
Profit from sale of financial assets at fair value through profit or loss		29,249,911	
Dividends received		638,138	
Unrealised exchange profit		4,136,704	
Income from repo loans		<u>5,003,277</u>	
			<u>(39,028,030)</u>
Chargeable income for the year			<u><u>714,795</u></u>
<u>Calculation of corporation tax</u>			
	Income €	Rate %	Total € c
Tax at normal rates:			
Chargeable income as above	<u>714,795</u>	10.00	71,479.50
10% additional charge			<u>7,147.95</u>
TAX PAYABLE			<u><u>78,627.45</u></u>