Mitsides Public Company Limited

Report and consolidated financial statements
31 December 2016

Contents

Mitsides Public Company Limited

Board of Directors and other officers

Board of Directors

Constantinos P Mitsides (Chairman and Managing Director)
Chrysostomos P Mitsides (Executive Director)
Stelios Chr Mitsides (Executive Director)
Marios Ph Demetriades (Executive Director)
Mikis Michaelides (Independent non-executive Director) (resigned 9 January 2017)
Nicolas Ph Epiphaniou (Independent non-executive Director)
Achilleas L Demetriades (Independent non-executive Director)
Alexandros N Lysandrou (Executive Director (appointed 26 October 2016)
Stephos D Stephanides (Independent non-Executive Director) (appointed 26 October 2016)

Company Secretary

Marios Ph Demetriades
Nikiforos Fokas avenue 34-38
P.O.Box 21778
1513 Nicosia
Cyprus

Registered Office

Nikiforos Fokas avenue 34-38
1513 Nicosia
Cyprus

Mitsides Public Company Limited

Statement of the members of the Board of Directors and other Company Officials for the drafting of the consolidated financial statements

According to article 9, section (3)(c) and (7) of the Transparency Conditions (Marketable values for negotiation in an Adjustable Market) Law of 2007 ('Law'), we the members of the Board of Directors and other Company officials responsible for the drafting of the consolidated financial statements of Mitsides Public Company Limited for the year ended 31 December 2016, based on our knowledge we confirm that:

(a) The Annual Consolidated financial statements that are presented in pages 16 to 69:

(i) Have been prepared according to International Financial Reporting Standards, as adopted by the European Union and according to section (4) of the Law, and

(ii) give a true and fair view of the assets and liabilities, financial position and loss of Mitsides Public Company Limited and the companies that are included in the Consolidated Financial Statements as a total, and

(b) The Report of the Board of Directors gives a fair overview of the developments and the performance as well as the financial position of Mitsides Public Company Limited and the companies that are included in the Consolidated Financial Statements as a total, with a description of the principal risks and uncertainties that are encountering.

Members of the Board of Directors	**Signature**
Name and title	
Chairman and Managing Director	
Constantinos P Mitsides	………………………………………
Executive Directors	
Chrysostomos P Mitsides	……………………………………..
Stelios Chr Mitsides	……………………………………..
Marios Ph Demetriades (Chief Financial Officer)	…………………………………….
Alexandros N Lysandrou	…………………………………….
Non-Executive Directors	
Stephos D Stephanides	……………………………………..
Nicolas Ph Epiphaniou	……………………………………..
Achilleas L Demetriades	……………………………………..

Nicosia, 27 April 2017

Mitsides Public Company Limited

Management Report

1 The Board of Directors presents its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Principal activities

2 The principal activities of the Group, which are unchanged from last year, are the production and sale of pasta and flour, the import and distribution of foodstuff, the import and distribution of raw materials used in bakeries and confectioneries, the import and trade of grain and the production and distribution of bakery products in Serbia.

Review of developments, current position and performance of the Group's business

3 During the year ended 31 December 2016, the Group decreased its turnover by 3,7% as a result of which its turnover amounted to €35.325.058 compared to €36.691.893 for prior year. This was mainly the result of a decrease in selling prices. This was the result of the reduced grain purchase price that were passed on to product sales prices. Group's gross profit decreased by €414.434 and the operating profit increased by €861.318, as a result of which, the Group's gross profit for the year amounted to €8.224.821 relative to €8.639.255 for the year 2015 and the Group's operating profit amounted to €69.170 relative to €792.148 loss for the year 2015. The Group's net loss amounted to €1.184.574 compared to €1.837.710 for prior year. The loss of the Group derives from its operations in the Serbian Market through its subsidiary Company Mitsides Point d.o.o. The subsidiary company proceeded with the implementation of a reorganisation plan of its activities in order to reverse its loss making course.

4 During the year ended 31 December 2016, the Group invested in new plant and equipment amounting to €350.565, which was financed by cash generated from operations. The Group, also, invested in investment properties amounting to €585.483, which was financed by reducing receivable's balances. As at 31 December 2016, the Group's total assets amounted to €47.209.497 (2015: €49.796.118) and its net assets amounted to €20.219.515 (2015: €21.482.200). The financial position, development and performance of the Group as presented in these financial statements are considered satisfactory under the circumstances.

Principal risks and uncertainties

5 The principal risks and uncertainties faced by the Group are the collection of accounts receivable balances and the continuous fluctuations in the prices of raw materials and mainly grain, the competition derived from European Union countries and the financial risk factors as disclosed in Notes 1, 3, 4 and 29 of the consolidated financial statements.

Mitsides Public Company Limited

Management Report (continued)

Principal risks and uncertainties (continued)

6 The Group mainly operates in Cyprus and therefore has been affected by the economic crisis that has prevailed over the last three years on the island. Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy’s performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

7 This operating environment may have a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

Use of financial instruments by the Group

8 The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by a central treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as oral policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Cash flow interest rate risk

9 The Group’s interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the Group to cash flow interest rate risk.

Cash flow interest rate risk (continued)

10 At 31 December 2016, the Group's liabilities which bore variable interest rates amounted to €15.847.239 (total borrowings excluding finance lease liabilities). The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly. The Group does not apply hedge accounting for cash flow interest rate risk.

Credit risk

11 Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions.

12 For banks and financial institutions, only those which are positively evaluated, under the circumstances, by the Board of Directors are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Refer to Note 15 for further disclosure on credit risk.

13 The Group's credit risk as at 31 December 2016 arises from trade receivables amounting to €8.612.270, other receivables amounting to €529.996, loans receivable amounting to €24.205, and bank balances amounting to €480.646. As of 31 December 2016, trade receivables of €1.683.576 (2015: €2.343.491) were impaired and provided for. The individually impaired receivables mainly relate to wholesalers, which are in an unexpectedly difficult economic situation.

Liquidity risk

14 Management monitors the current liquidity position of the Group based on expected cash flows and expected revenue receipts. On a long-term basis, liquidity risk is defined based on the expected future cash flows at the time of entering into new credit facilities or leases and based on budgeted forecasts. Management believes that it is successful in managing the Group's liquidity risk.

Future developments of the Group

15 The Board of Directors will continue its development policy through the implementation of an investment plan which includes the increase of Group's exports as well as maintaining the Group's leading position in the Cyprus market and further consolidating the Group's position in the Balkans. The adverse economic developments which affect the international financial markets and the real economy, created a prolonged economic crisis. The difficult financial position of the subsidiary company Mitsides Point d.o.o. may adversely affect the Group's liquidity.

16 As a result of the above developments, on the date of issue of the annual Audited Consolidated Financial Statements there is a continuous uncertainly in the market, which may adversely affect the Group's results in the future.

Mitsides Public Company Limited

Management Report (continued)

Results

17 The Group's results for the year are set out on pages 16 and 17. The net loss for the year is transferred to reserves.

Dividend

18 The Board of Directors does not recommend the payment of a dividend.

Share capital

19 There were no changes in the share capital of the Company.

Board of Directors

20 The members of the Board of Directors on 31 December 2016 and on the date of this report are shown on page 1. All of them were members of the Board throughout the year 2016, except Mr Alexandros N Lysandrou and Stephos D Stephanides who were appointed on 26 October 2016. Mr Mikis Michaelides who held office at 1 January 2016, resigned on 9 January 2017.

21 According to the Company's Articles of Association, Messrs Stephos D Stephanides, Alexandros N Lysandrou and Marios Ph Demetriades retire at the next Annual General Meeting and being eligible offer themselves for re-election.

22 There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Directors' interests in the Group's share capital

23 The direct and indirect interests of the members of the Board of Directors in the share capital of the Group on 31 December 2016 and on the date of this report, were as follows:

	Share percentage %
Constantinos P Mitsides	19,49
Chrysostomos P Mitsides	18,25
Stelios Chr Mitsides	19,49
Marios Ph Demetriades	0,15
Alexandros N Lysandrou	19,49
Nikolas Ph Epifaniou	0,07
Achilleas L Demetriades	0,12
Stephos D Stephanides	-

Main shareholders

24 On 31 December 2016 and at the date of this report, the following shareholders held over 5% of the Group's issued share capital either directly or indirectly:

	Share percentage %
Constantinos P Mitsides	19,49
Chrysostomos P Mitsides	18,25
Chrysostomos St Mitsides	19,49
Olga Lysandrou	19,49

The percentage of Mrs Olga Lysandrou includes the interest attributed to her child, Alexandros N Lysandrou who is a member of the Board of Directors. The percentage of Mr Chrysostomos St. Mitsides includes the attributable interest of his child, Stelios Mitsides who is a member of the Board of Directors.

Contracts with Directors and related parties

25 On 31 December 2016 there were no other significant contracts with the companies of the Group within which a Director or related parties had a significant interest except the balances to and from related parties as disclosed in Note 31.

26 Related parties include the spouse, minor children and companies where a Director holds directly or indirectly at least 20% of the voting rights in a general meeting.

Events after the balance sheet date

27 There were no material post balance sheet events, which had a bearing on the understanding of the financial statements.

Branches

28 The Group did not operate through any branches during the year.

Independent Auditors

29 The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. 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

Constantinos P Mitsides
Chairman and Managing Director

Nicosia, 27 April 2017

Independent auditor's report

To the Members of Mitsides Public Company Limited

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the accompanying consolidated financial statements of Mitsides Public Company Limited ("the Company") and its subsidiaries (together "the Group") give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated 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.

What we have audited

We have audited the consolidated financial statements which are presented in pages 16 to 69 which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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 Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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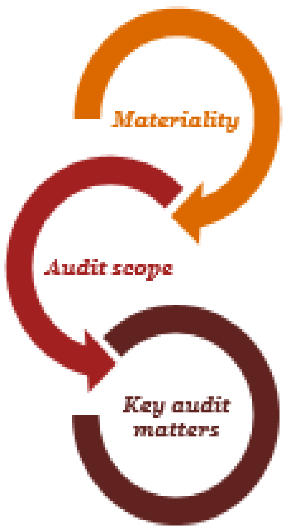
Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the Board of Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we considered the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



- Overall group materiality: €265.000, which represents 0,75% of total revenue.

- We audited the complete financial information of 3 components, in 2 countries, assessed as significant components.
- Our audit scope addressed 100% of the Group's revenues, 100% of the Group's absolute value of underlying profit and 100% of the Group's total assets.

We have identified the following key audit matters:

- Impairement assessment of accounts receivable and allowance for doubtful debts.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	€ 265.000
How we determined it	0,75% of total revenue
Rationale for the materiality benchmark applied	We chose total revenue as the benchmark, because in our view, it is the benchmark against which the performance of the Group is most commonly measured by the users, and is a generally accepted benchmark. We chose 0, 75% which based on our experience is within the range of acceptable quantitative materiality thresholds.

We agreed with the Audit Committee and those charged with governance that we would report to them individual misstatements identified during our audit above €13.250 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our group audit scope

Mitsides Public Company Limited is the parent of a group of companies. The financial information of this Group is included in the consolidated financial statements of Mitsides Public Company Limited.

Considering our ultimate responsibility for the opinion on the Group financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we tailored the scope of our audit and determined the nature and extent of the audit procedures for the components of the Group to ensure that we perform sufficient work to enable us to provide an opinion on the consolidated the financial statements as a whole, taking into account the structure of the Group, the significance and/or risk profile of the group entities or activities, the accounting processes and controls, and the industry in which the Group operates.

The Group's operations are made up of operating businesses situated in a number of territories in Cyprus and Serbia. For financial reporting purposes, the Group is structured into 4 reporting units, comprising the Company and subsidiary or sub-subsidiary entities of the Company.

In establishing the overall approach to the group audit, we determined the scope of work that needed to be performed for each reporting unit and whether this would be performed by us, as the group engagement team, or component auditors from other non-network firms, operating under our instructions. Accordingly, out of the Group's 4 reporting units, we performed an audit of the complete financial information of 3 reporting units, which were selected either due to their size, or their risk characteristics. For one reporting unit of the Group, no procedures were performed due to the fact that it was considered not to be material for the financial statements of the Group.

Taken together, our audit work addressed 100% of the Group's revenues, 100% of the Group's absolute value of underlying loss and 100% of the Group's total assets.

Where the work was performed by component auditors, we as the group auditors determined the level of involvement we needed to have in the audit work at those reporting units to be able us to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement in that work included, amongst others, review of the audit work of component auditors in scope, including the nature, timing and extent of the work impacting the Group audit opinion and frequent communications with component audit teams to ensure that our audit plan was appropriately executed. We focused our review on significant/complex areas, such as borrowings/liquidity etc. The group consolidation and financial statement disclosures are audited by the group engagement team.

By performing the procedures above at components, combined with the additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our audit opinion on the consolidated financial statements.

Key audit matters

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

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Impairement assessment of accounts receivable and allowance for doubtful debts	
See Note 2 'Summary of significant accounting policies', Note 4 'Critical accounting estimates and judgments' and Note 22 'Trade and other receivables'. The Group has trade receivables with carrying values of €8.612.270 as at 31 December 2016 representing 18% of the Group's total assets. The impairement assessment of trade receivables is a key matter in our audit as these include management estimates and judgment due to specific risks associated with each individual trade receivable and the importance of cash collection in relation to the management of the Group's working capital.	We evaluated management's assessment for impairement of trade receivables by assessing the level and aging analysis of trade receivables and by reference to post year end receipts. In addition, we have evaluated the Group's previous experience in respect of its exposure in non-performing receivables and the general financial condition of the two countries where the company operates. Furthermore, we assessed the adequacy of the Group's disclosures in relation to the assessment of impairment of receivables and the allowance for doubtful debts.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management report. Other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

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

- Conclude on the appropriateness of 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

Report on other legal and regulatory requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 to 2016, 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, so far as appears from our examination of these books.
- The Company's consolidated 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 consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the management report, whose preparation is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.
- In our opinion, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap, 113, and is consistent with the consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In our opinion, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii) and (vi) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.

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 Laws of 2009 to 2016 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Andreas Th. Constantinides.

Mr. Andreas Th. Constantinides
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 27 April 2017

Mitsides Public Company Limited

Consolidated income statement for the year ended 31 December 2016

	Note	**2016 €**	2015 €
Revenue	5	**35.325.058**	36.691.893
Cost of sales		**(27.100.237)**	(28.052.638)
Gross profit		**8.224.821**	8.639.255
Other gains/(losses)	7	**6.115**	(151.039)
Other income	6	**347.156**	215.482
Selling and marketing expenses		**(5.449.434)**	(5.646.924)
Administrative expenses		**(3.059.488)**	(3.848.922)
Operating profit/(loss)		**69.170**	(792.148)
Finance costs	10	**(925.504)**	(1.049.432)
Loss before tax		**(856.334)**	(1.841.580)
Income tax (charge)/credit	11	**(328.240)**	3.870
Loss for the year		**(1.184.574)**	(1.837.710)
Attributable to:			
Owners of the Company		**(1.184.574)**	(1.837.710)
Losses per share attributable to the equity holders of the Company (cents per share) – Basic	12	**(14,45)**	(22,41)

The notes on pages 23 to 69 are an integral part of these consolidated financial statements.

Mitsides Public Company Limited

Consolidated statement of comprehensive income for the year ended 31 December 2016

	Note	2016 €	2015 €
Loss for the year		**(1.184.574)**	(1.837.710)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Impact of changes in tax rate on deferred tax	25	**(291)**	(3.530)
Loss on revaluation of land and buildings, net of tax	16	**(15.000)**	-
Exchange difference arising from the translation of subsidiary company in Euro		**(60.734)**	(31.785)
Items that will not be reclassified to profit or loss		**(76.025)**	(35.315)
Items that may subsequently be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets, net of tax	25	**(2.086)**	(1.670)
Items that may subsequently be reclassified to profit or loss		**(2.086)**	(1.670)
Other comprehensive income for the year, net of tax		**(78.111)**	(36.985)
Total comprehensive loss for the year		**(1.262.685)**	(1.874.695)
Attributable to:			
Owners of the Company		**(1.262.685)**	(1.874.695)

Items in the statement above are disclosed net of tax. The income tax relating to each component of other comprehensive income is disclosed in Note 11.

The notes on pages 23 to 69 are an integral part of these consolidated financial statements.

Mitsides Public Company Limited

Consolidated balance sheet
as at 31 December 2016

	Note	**2016**	2015
		€	€
Assets			
Non-current assets			
Property, plant and equipment	16	**25.292.918**	26.670.566
Investment property	17	**3.664.012**	3.360.898
Intangible assets	18	**924.674**	822.952
Available-for-sale financial assets	19	**10.528**	20.604
Deferred tax assets	27	**126.102**	394.735
		30.018.234	31.269.755
Current assets			
Inventories	20	**7.165.975**	7.536.295
Current portion of non-current receivables	21	**24.205**	22.943
Trade and other receivables	22	**9.210.235**	10.218.936
Tax refundable		**165.838**	180.228
Cash and bank balances	23	**480.646**	567.961
		17.046.899	18.526.363
Assets held for sale	33	**144.364**	-
Total assets		**47.209.497**	49.796.118
Equity and liabilities			
Capital and reserves			
Share capital	24	**8.446.000**	8.446.000
Fair value reserve	25	**8.408.493**	8.571.205
Foreign exchange translation reserve		**(1.438.916)**	(1.405.894)
Retained earnings		**4.803.938**	5.870.889
		20.219.515	21.482.200
Non-current liabilities			
Borrowings	26	**2.304.112**	4.376.549
Deferred income tax liabilities	27	**3.186.604**	3.331.495
		5.490.716	7.708.044
Current liabilities			
Trade and other payables	28	**7.755.466**	7.073.021
Current income tax liabilities		**144.936**	125.759
Borrowings	26	**13.598.864**	13.407.094
		21.499.266	20.605.874
Total liabilities		**26.989.982**	28.313.918
Total equity and liabilities		**47.209.497**	49.796.118

On 27 April 2017 the Board of Directors of Mitsides Public Company Limited authorised these financial statements for issue.

Constantinos P Mitsides, Chairman and Executive Director

Stelios Chr Mitsides, Executive Director

The notes on pages 23 to 69 are an integral part of these consolidated financial statements.

Mitsides Public Company Limited

Consolidated statement of changes in equity for the year ended 31 December 2016

	Note	Share capital €	Fair value reserve (2) €	Foreign exchange translation reserve €	Retained earnings (1) €	Total €
1 January 2015		8.446.000	8.698.502	(1.384.344)	7.635.392	23.395.550
Comprehensive income						
Loss for the year		-	-	-	(1.837.710)	(1.837.710)
Other comprehensive income						
Land and buildings:						
Transfer of depreciation – net of tax	25	-	(111.862)	-	111.862	-
Deferred tax adjustment	25	-	(3.530)	-	-	(3.530)
Available for sale financial assets:						
Fair value loss	25	-	(1.670)	-	-	(1.670)
Exchange difference arising from the translation of subsidiary company	25	-	(10.235)	(21.550)	-	(31.785)
Total other comprehensive income for the year		-	(127.297)	(21.550)	111.862	(36.985)
Comprehensive income for the year		-	(127.297)	(21.550)	(1.725.848)	(1.874.695)
Transactions with owners						
Defence contribution on deemed dividend distribution		-	-	-	(38.655)	(38.655)
Total transaction with owners		-	-	-	(38.655)	(38.655)
Balance at 31 December 2015		8.446.000	8.571.205	(1.405.894)	5.870.889	21.482.200

Consolidated statement of changes in equity for the year ended 31 December 2016 (continued)

	Note	Share capital €	Fair value reserve (2) €	Foreign exchange translation reserve €	Retained earnings (1) €	Total €
Balance at 31 December 2015/1 January 2016		8.446.000	8.571.205	(1.405.894)	5.870.889	21.482.200
Comprehensive income						
Loss for the year		-	-	-	(1.184.574)	(1.184.574)
Other comprehensive income						
Land and buildings:						
Loss on revaluation – net of tax		-	(15.000)	-	-	(15.000)
Transfer of depreciation – net of tax	25	-	(117.623)	-	117.623	-
Deferred tax adjustment	25	-	(291)	-	-	(291)
Available for sale financial assets:						
Fair value loss	25	-	(2.086)	-	-	(2.086)
Exchange difference arising from the translation of subsidiary company	25	-	(27.712)	(33.022)	-	(60.734)
Total other comprehensive income for the year		-	(162.712)	(33.022)	117.623	(78.111)
Comprehensive income for the year		-	(162.712)	(33.022)	(1.066.951)	(1.262.685)
Balance at 31 December 2016		8.446.000	8.408.493	(1.438.916)	4.803.938	20.219.515

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 15% will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. Special contribution for defence rate increased to 17% in respect of profits of year of assessment 2009 and to 20% in respect of profits or years of assessment 2010 and 2011 and is reduced back to 17% in respect of profits of years of assessment 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

(2) The share premium reserve is not distributable in the form of dividends.

The notes on pages 23 to 69 are an integral part of these consolidated financial statements.

Mitsides Public Company Limited

Consolidated statement of cash flows for the year ended 31 December 2016

	Note	2016 €	2015 €
Cash flows from operating activities			
Loss before tax		**(856.334)**	(1.841.580)
Adjustments for:			
Depreciation of property, plant and equipment	16	**1.559.898**	1.578.363
Amortisation of computer software	18	**25.417**	28.412
Fair value loss on investment property	17	**39.730**	154.561
Dividend income	6	**(41)**	(36)
Interest income	6	**(2.107)**	(3.506)
Interest expense	10	**789.502**	973.181
Change in provision for impairment of trade receivables	22	**13.316**	570.573
Loss on sale of property, plant and equipment	7	**(45.845)**	(3.522)
Foreign exchange differences		**88.476**	27.538
		1.612.012	1.483.984
Changes in working capital:			
Inventories		**370.320**	(1.416.321)
Trade and other receivables		**541.423**	431.269
Trade and other payables		**682.444**	165.469
Cash generated from operations		**3.206.199**	664.401
Income tax paid		**(159.097)**	(72.449)
Net cash generated from operating activities		**3.047.102**	591.952
Cash flows used in investing activities			
Purchases of property, plant and equipment	16	**(350.565)**	(1.124.148)
Purchases of computer software	18	**(128.503)**	(36.495)
Purchases of investment property	17	**(113.467)**	(1.434)
Proceeds from sale of property, plant and equipment	16	**119.580**	48.271
Proceeds from sale of available-for-sale financial assets	19	**8.075**	46
Interest received		**591**	1.618
Dividend received		**41**	36
Net cash used in investing activities		**(464.248)**	(1.112.106)
Balance carried forward		**2.582.854**	(520.154)

Mitsides Public Company Limited

Consolidated statement of cash flows for the year ended 31 December 2016 (continued)

	Note	2016 €	2015 €
Balance brought forward		**2.582.854**	(520.154)
Cash flows used in financing activities			
Proceeds/(repayments) from bank borrowings - net		**(1.040.816)**	(236.532)
Interest paid		**(789.502)**	(973.181)
Defence contribution on deemed dividend distributions		**-**	(83.170)
Net cash used in financing activities		**(1.830.318)**	(1.292.883)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**752.536**	(1.813.037)
Cash, cash equivalents and bank overdrafts at beginning of year		**(10.246.539)**	(8.433.502)
Cash, cash equivalents and bank overdrafts at end of year	23	**(9.494.003)**	(10.246.539)

The notes on pages 23 to 69 are an integral part of these consolidated financial statements.

Mitsides Public Company Limited

Notes to the consolidated financial statements

1 General information

Country of incorporation

The Company was incorporated and domiciled in Cyprus on 12 March 1970 as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. On 12 June 2000 the Company became a Public Company. The registered office of the Group is at Nikiforos Fokas Avenue 34-38, Nicosia, Cyprus.

Principal activities

The principal activities of the Group, which are unchanged from last year, are the production and sale of pasta and flour, the import and distribution of foodstuff, the import and distribution of raw materials used in bakeries and confectioneries, the import and trade of grain and the production and distribution of bakery products to Serbia.

Operating environment of the Group

Environment of Serbia

The Group operates in the Serbian market through its 100% subsidiary, Mitsides Point d.o.o.. In January 2014, the country entered into accession negotiations with the European Union. The Serbian economy, as well as the rest of Europe have suffered two significant economic shocks in the recent past, in 2008 and 2012 and from 2013 onwards they are on the path to recovery. The recovery is driven by foreign investment in the country, exports and increased public expenditure on development projects. However, the unstable external environment may have significant effects on the economy of the country, which can significantly affect the Group’s activities in Serbia.

Environment of Cyprus

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy’s performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be "non-investment grade", the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

1 General information (continued)

Operating environment of the Group (continued)

This operating environment could affect (1) the ability of the Group to obtain new borrowings or re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions, (2) the ability of the Group's trade and other debtors to repay the amounts due to the Group, (3) the ability of the Group to generate sufficient turnover, to sell its existing inventories and/or offer its services to customers, and (4) the cash flow forecasts of the Group's management in relation to the impairment assessment for financial and non-financial assets.

The Group's management has assessed whether any impairment allowances are deemed necessary for the financial assets carried at amortized cost by considering the economic situation and outlook at the end of the reporting period. Impairment of trade receivables is determined using the "incurred loss" model required by International Accounting Standard 39 "Financial Instruments: Recognition and Measurement". This standard requires recognition of impairment losses for receivables that arose from past events and prohibits recognition of impairment losses that could arise from future events, no matter how likely those future events are.

The Group's management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate 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 consolidated financial statements of the Group 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 and the Cyprus Stock Exchange Laws and Regulations.

As of the date of the authorisation of the consolidated and separate financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2016 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, investment properties and available-for-sale financial assets.

2 Summary of significant accounting policies (continued)

Basis of preparation (continued)

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

Adoption of new and revised IFRSs

During the current year the Group 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 2016. This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Group, with the exemption of the following:

- IFRS 16"Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019) *. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the amendments on its financial statements.

- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017)*. The amendment has clarified the requirements on recognition of deferred tax assets for unrealised losses on debt instruments. The entity will have to recognise deferred tax asset for unrealised losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains. The Group is currently assessing the impact of the amendments on its financial statements.

- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017)*. The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group is currently assessing the impact of the amendments on its financial statements.

2 Summary of significant accounting policies (continued)

Adoption of new and revised IFRSs (continued)

- IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the amendments on its financial statements.

- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018)*. The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group is currently assessing the impact of the amendments on its financial statements.

- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018)*. The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Group is currently assessing the impact of the amendments on its financial statements.

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

2 Summary of significant accounting policies (continued)

Consolidated financial statements

General

The consolidated financial statements include the financial statements of Mitsides Public Company Limited (the “Company”) and its subsidiary companies which collectively referred to as the “Group”.

Consolidated financial statements

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed or has rights in a change-over effect from its relationship with the entity and is capable of influencing the performance through the entity’s control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed in the profit and loss as incurred. Identifiable assets acquired and liabilities including contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

If the business combination is achieved in stages, the fair value at the acquisition date, of the interest previously held by the group, is valued again at fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is considered as an asset or liability is recognized in accordance with IAS 39 either in the profit and loss account or as a change to other comprehensive income. Contingent consideration classified as equity is not remeasured and is subsequently accounted for within equity.

2 Summary of significant accounting policies (continued)

Consolidated financial statements (continued)

(i) Subsidiaries (continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Intercompany transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses arising from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

(ii) Sale of subsidiaries or associates

The gain or loss from the disposal of subsidiary or associate companies is calculated as the difference between the sale proceeds and the Group's share of net assets of the subsidiary or associate company at the date of disposal less any unamortised goodwill arising from the acquisition of the subsidiary or associate company.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax, returns and discounts.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group base their estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Group are recognized on the following bases:

(i) Sale of goods

Sales of goods are recognised when significant risks and rewards of ownership of the goods have been transferred to the customer. This is usually when the Group have sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

(ii) Sale of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iii) Interest income

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

2 Summary of significant accounting policies (continued)

Revenue recognition (continued)

(iv) Rental income

Rental income arising on operating leases in recognised on a straight-line basis over the lease term.

(v) Dividend income

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

Employee benefits

The Companies of the Group and their employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition, the Group operates a defined contribution scheme the assets of which are held in a separate trustee – administered fund. The scheme is funded by payments from employees and by the Companies of the Group. The contributions of the Companies of the Group are expensed as incurred and are included in staff costs. The Companies of the Group have no further payment obligations once the contributions have been paid. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the companies of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The consolidated financial statements are presented in Euro (€), which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "finance costs". All other foreign exchange gains and losses are presented in profit or loss within "other gains/losses-net".

2 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

(iii) Group Companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- all resulting exchange differences are recognised in other comprehensive income.

Exchange differences arising from the above process are recognized in foreign exchange reserves in equity.

On consolidation, exchange differences arising from the translation of net investment in foreign operations, and of borrowings and other monetary items designated for hedging of such investments, are recognized in other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recognised in equity are recognized in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are treated as assets and liabilities of the foreign subsidiary company and translated at the closing rate.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which each Company of the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

2 Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on each Company of the Group where there is an intention to settle the balances on a net basis.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company and the Group's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Property, plant and equipment

Land and buildings which mainly includes factories and offices are shown at fair value, based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are carried out with sufficient regularity to ensure that the carrying amount at the balance sheet date does not differ materially from that which would be determined using fair value at the balance sheet date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other elements of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Increases in the carrying amount arising on revaluation of land and buildings are credited in other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to profit or loss. Every year, the difference between depreciation based on the revalued carrying amount of the assets that was charged to profit or loss and depreciation based on the original cost of the assets is transferred from the fair value reserve to retained earnings.

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Buildings	4
Plant and machinery	5 – 10
Tools	3 - 33 1/3
Furniture and fittings	10 - 20
Computer hardware	20
Motor vehicles	10 – 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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.

2 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Expenditure for repairs and maintenance of property, plant and equipment is charged to the profit or loss of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in “other income/(losses)” in profit or loss.

When revalued assets are sold, the amounts included in the other reserves are transferred to retained earnings.

Leases

Leases of property, plant and equipment where the Company, as lesee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated on a straight-line basis over the shorter of the lease term and their useful economic life, unless there is reasonable certainty that the Company will obtain ownership by the end of the lease term, in which case the assets are depreciated over their estimated useful lives.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Investment property

Investment property which includes mainly land, is held for long-term rental yields and capital appreciation and is not occupied by the Group. Investment property is carried at fair value, representing open market value determined annually by external independent valuers. Changes in fair value are included in ‘other income/(losses) in profit or loss.

Goodwill

Goodwill arises on the acquisition of subsidiaries, represents the excess of the consideration transferred over the Group’s interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies (continued)

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmes are charged to the profit or loss of the year in which they were incurred. Computer software costs are amortised using the straight line method over their estimated useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administration expenses and cost of sales.

Impairment of non-financial assets

Assets that have an indefinite useful life, including goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

(i) Classification

The Group classify their financial assets in the following categories: loans and receivables 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.

- **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 balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables", "non-current receivables" and "cash and bank balances" in the balance sheet.

- **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 balance sheet date.

2 Summary of significant accounting policies (continued)

Financial assets (continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group have transferred substantially all risks and rewards of ownership.

Available- for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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”.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of other income when the Group’s right to receive payments is established.

(iii) Impairment of financial assets

The Group assess at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measures as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss.

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 (such as an improvement in the debtor’s credit rate, the reversal of the previously recognised impairment loss is recognised in the profit or loss.

2 Summary of significant accounting policies (continued)

Financial assets (continued)

(iii) Impairment of financial assets (continued)

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – 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. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

Non-current assets (or disposed groups) held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty

2 Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value, whichever of the two is the lower. Cost is determined using the weighted average cost method. The cost of finished and semi-finished products comprises raw materials, direct labour, other direct costs and related production costs based on normal operating capacity. It excludes borrowings costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade receivables

Trade receivables are amounts due from customers for the sale of goods or provision of services in the ordinary course of business. Trade receivables are classified as current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within ‘administrative expenses’. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against ‘administrative expenses’ in profit or loss.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

2 Summary of significant accounting policies (continued)

Borrowings (continued)

Fees paid on establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment and amortised over the period of the facility to which it relates.

Borrowing costs are interest and other costs that the Group incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business of the Group. Accounts payable are classified as current liabilities.

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

Financial Guarantee Contracts

Financial Guarantee Contracts are recognised as financial liabilities, when they are material, the date of the issuance of guarantee. Liabilities arising from financial guarantee contracts, including subsidiaries corporate guarantees, through contracts of mutual guarantee are initially recognised at fair value and subsequently at the higher of the amount determined by the accounting policy of provisions of the consolidated entity and the amount initially recognised minus depreciation. The fair value of financial guarantee contracts is determined by the net present value of the difference of the future cash flows between payments under contracts and payments that would be required without the guarantee, or the calculation of the amount that would have been payable to third parties to undertake the relative liability.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of one month and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

Segment reporting

The Board of Directors (chief operating decision maker), takes the decisions for allocating resources and assessing the performance of the Group based on internal reports. This analysis is consistent with the IFRSs used in the preparation of the consolidated financial statements.

3 Financial risk management

(i) Financial risk factors

The Group's activities expose them to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk.

The risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group financial performance. Risk management is carried out by the treasury department under policies approved by the Board of Directors. The treasury department identifies, evaluates and hedges financial risks in close co-operation with the Group other operating units. The Board provides written principles for overall risk management, as well as oral policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

- **Market risk**

Foreign exchange risk

The subsidiary company of the Group, Mitsides Point d.o.o. operating in Serbia and has Serbian Dinar as its functional currency, has borrowed large sums for the completion of its development strategy. Due to the continuous devaluation of the Serbian currency, the translation of borrowings in the functional currency of the Company has significant exchange differences which are charged to profit or loss of the Company and therefore consolidated in the financial statements of the Group and negatively affect the consolidated results. On 31 December 2016, the subsidiary's loans are valued in Euro. The exchange difference recognised in profit or loss in 2016 was €136.002 (exchange difference of €76.251 was recognised in 2015) (Note 10).

Cash flow and fair value interest rate risk

As the Group does not have significant interest – bearing assets, income and operating cash flows are independent of changes in market interest rates.

Interest rate risk arises also from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

At 31 December 2016, if interest rates on Euro-denominated borrowings had been 0,25% (2015: 0,25%) higher or lower with all other variables held constant, post-tax profit for the year for the Group would have been €42.845 (2015: €41.182) lower or higher respectively, as a result of higher/lower interest expense on floating rate borrowings.

Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

3 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to wholesale customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only organizations that are positively evaluated by the Board of Directors are accepted. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. See Note 15 for further disclosure on credit risk.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these parties.

The parent Company insured part of its trade receivables. In case that any of its insured trade receivables is unable to fulfil or delay the payment of its debts to the Company, the insurance company is obliged to cover these debts, always in accordance with the terms of the insurance contract.

- **Liquidity risk**

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months (except borrowings) equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year €	Between 1 to 2 years €	Between 2 to 5 years €	Over 5 years €
At 31 December 2015				
Borrowings (except from finance lease liabilities)	13.694.850	2.736.209	1.568.507	524.905
Trade and other payables	6.898.034	-	-	-
Finance lease liabilities	11.346	9.431	18.071	-
	20.604.230	2.745.640	1.586.578	524.905

	Less than 1 year €	Between 1 to 2 years €	Between 2 to 5 years €	Over 5 years €
At 31 December 2016				
Borrowings (except from finance lease liabilities)	13.781.391	630.858	1.649.219	245.325
Trade and other payables	7.452.873	-	-	-
Finance lease liabilities	17.389	28.079	15.874	-
	21.251.653	658.937	1.665.093	245.325

Prudent liquidity risk management implies maintaining sufficient cash and trading securities, the availability of funding through an adequate amount of committed credit facilities and the possibility of settlement market positions. The management maintains flexibility in funding by maintaining availability under committed credit lines.

3 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Liquidity risk (continued)**

  Management monitors rolling forecasts of the Group's liquidity reserve (includes undrawn borrowing facilities (Note 26) and cash and bank balances (Note 23) on the basis of expected cash flows).

(ii) Capital risk management

The Group objectives when managing capital are to safeguard the Group ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

Gearing ratios at 31 December 2016 and 2015 were as follows:

	2016	2015
	€	€
Total borrowings (Note 26)	**15.902.976**	17.783.643
Less: Cash and cash balances (Note 23)	**(480.646)**	(567.961)
Net debt	**15.402.330**	17.215.682
Total equity	**20.219.515**	21.482.200
Total capital as defined by management	**35.641.845**	38.697.882
Gearing ratio	**43%**	44%

(iii) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

3 Financial risk management (continued)

(iii) Fair value estimation

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2015.

	Level 1 €	Level 3 €	Total €
31 December 2015			
Assets			
Available-for-sale financial assets:			
- Equity securities	9.277	11.327	20.604

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016.

	Level 1 €	Level 3 €	Total €
31 December 2016			
Assets			
Available-for-sale financial assets:			
- Equity securities	7.191	3.337	10.528

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily Cyprus Stock Exchange equity investments and corporate debentures listed on the Cyprus Stock Exchange classified as trading securities or available-for-sale.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Adjusted comparable multiple prices to the book value
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Refer to Notes 16 and 17 for disclosures of fair values for property, plant and equipment and investment property respectively carried at fair value.

(iv) Offsetting financial assets and liabilities

The Group does not have any financial assets or financial liabilities that are subject to offsetting, enforceable master netting arrangements or any similar agreements.

4 Critical accounting estimates and judgments

Estimates and judgements 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.

Critical accounting estimates and assumptions

The Group make 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.

- **Estimated impairment of goodwill**

  The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amount of cash-generating units has been determined based on value-in-use calculations. These calculations require the use of estimates as disclosed in Note 18.

  We present below how the amount of goodwill will be affected if one or more of the main indicators used in the calculation of the value in use vary.

	Revenue growth rate 2017-2021 %	Gross profit margin 2017-2021 %	Discount rate %	Growth Rate %	Impairment €000
Base scenario	3,0	18,0	10,0	3,0	-
Revenue growth rate	1,5	18,0	10,0	3,0	-
Gross profit margin	3,0	17,4	10,0	3,0	-
Discount rate	3,0	18,0	11,0	3,0	-
Combined scenario	1,5	17,4	11,0	2,0	(306.634)

- **Income taxes**

  Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group 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 current and deferred income tax assets and liabilities in the period in which such determination is made.

- **Fair value of investment in property, plant and equipment**

  The fair value of investment in property and plant and equipment is determined using independent and qualified valuers. The sensitivity of the significant estimates involved is disclosed in Notes 16 and 17.

5 Segment information

The Group has determined the operating segments based on reports that are evaluated by the Board of Directors and used in making strategic decisions.

The Board of Directors (chief operating decision maker) assesses the business according to the type of the products as shown in the following operating segments:

(a) production and sale of flour,
(b) production and sale of pasta,
(c) import and sale of raw materials for baking and confectionery industries,
(d) import and sale of wheat, and
(e) production and sale of bakery products.

The Board of Directors estimate the performance of each operating segment based on gross profit. This base eliminates interdepartmental sales and profit between the operating segments. The interdepartmental sales are made at a cost plus a margin percentage for the profit.

The selling and distribution expenses and the administration expenses relate to all operating segments and no specific distinction is made between them.

The information per segment given to the Board of Directors for the operating segments for the year ended 31 December 2016 was as follows:

	2016			
	Total	**Inter-departmental**	**Turnover**	**Gross profit**
	€	**€**	**€**	**€**
Operating segments				
Production and sale of flour	**22.819.937**	**(3.454.757)**	**19.365.180**	**3.613.217**
Production and sale of pasta	**10.706.424**	**(788.880)**	**9.917.544**	**3.363.655**
Import and sale of raw materials for baking and confectionary industries	**4.856.601**	**-**	**4.856.601**	**1.102.582**
Import and sale of wheat	**2.598.288**	**(2.149.505)**	**448.783**	**23.337**
Production and sale of bakery products	**736.950**	**-**	**736.950**	**122.030**
	41.718.200	**(6.393.142)**	**35.325.058**	**8.224.821**

5 Segment information (continued)

The information per segment for the year ended 31 December 2015 was as follows:

	2015			
	Total	Inter-departmental	Turnover	Gross profit
	€	€	€	€
Operating segments				
Production and sale of flour	24.075.552	(3.971.779)	20.103.773	3.754.918
Production and sale of pasta	11.022.053	(443.654)	10.578.399	3.613.091
Import and sale of raw materials for baking and confectionary industries	4.302.941	-	4.302.941	937.795
Import and sale of wheat	2.690.479	(2.684.339)	6.140	320
Production and sale of bakery products	1.700.640	-	1.700.640	333.131
	43.791.665	(7.099.772)	36.691.893	8.639.255

The reconciliation between gross profit and profit before tax was as follows:

	2016	2015
	€	€
Gross profit of all operating segments	**8.224.821**	8.639.255
Other losses	**6.115**	(151.039)
Other income	**347.156**	215.482
Selling and marketing expenses	**(5.449.434)**	(5.646.924)
Administration expenses	**(3.059.488)**	(3.848.922)
Finance costs	**(925.504)**	(1.049.432)
Loss before tax	**(856.334)**	(1.841.580)

The Groups' head office is in Cyprus. The income of the Group from exports from Cyprus and abroad were:

	Cyprus		Serbia	
	2016	2015	**2016**	2015
	€	€	**€**	€
Sale of flour	**3.800.631**	4.298.299	**2.130.218**	898.309
Sale of pasta	**441.159**	458.276	**432.543**	617.058
Sale of bakery products	**-**	-	**48.827**	55.506
Sale of wheat	**-**		**429.377**	-
	4.241.790	4.756.575	**3.040.965**	1.570.873

The total non-current assets, excluding financial assets and deferred tax assets, which are based in Cyprus were €18.846.092 (2015: €18.650.835) and the total of these assets that are in Serbia were €11.035.512 (2015: €12.203.581).

None of the Company's clients account for sales that exceed 10% of the total amount of sales.

Significant assets and liabilities of the Group are used in all operating segments without specific distinction between them and thus is not possible to provide a fair analysis by operating segment.

6 Other income

	2016 €	2015 €
Interest income:		
Bank balances	**845**	2.310
Loans to third parties	**1.262**	1.196
Total interest income	**2.107**	3.506
Rental income (Note 17)	**61.368**	63.278
Dividend income from available for sale financial assets (Note 19)	**41**	36
Other income	**283.640**	148.662
	347.156	215.482

7 Other losses

	2016 €	2015 €
Investment property:		
Fair value loss (Note 17)	**(39.730)**	(154.561)
Property, plant and equipment:		
Profit on sale (Note 16)	**45.845**	3.522
Total other losses	**6.115**	(151.039)

8 Expenses by nature

	2016 €	2015 €
Depreciation of property, plant and equipment (Note 16):		
Privately owned	**1.551.305**	1.577.359
Operating lease payments	**8.593**	1.004
Amortisation of intangible assets (Note 18):		
Computer software	**25.417**	28.412
Repairs and maintenance	**328.933**	316.045
Operating lease rentals (Note 16)	**69.525**	70.912
Auditors' remuneration	**70.035**	70.953
Auditors' remuneration – prior years	**-**	309
Professional fees	**521.919**	537.324
Purchases of finished goods	**4.566.301**	4.272.292
Raw materials used	**18.020.196**	19.104.091
Changes in inventories of finished goods	**(491.335)**	27.968
Factory expenses (excluding staff costs, repairs and maintenance and depreciation charges)	**1.173.081**	1.247.377
Specific provision for impairment of receivables (Note 22)	**52.670**	573.266
Bad debts recovered (Note 22)	**(39.354)**	(2.693)
Bad debts written off	**273**	141.082
Other receivables written off	**-**	(3.506)
Staff costs (Note 9)	**6.020.949**	5.909.527
Advertising and marketing expenses	**1.249.578**	1.307.271
Car expenses	**785.365**	861.900
Export expenses	**785.647**	680.828
Bank charges	**128.659**	160.075
Other expenses	**781.402**	666.688
Total cost of goods sold, selling and marketing expenses and administrative expenses	**35.609.159**	37.548.484

8 Expenses by nature (continued)

The total fees charged by the Group's statutory auditor for the statutory audit of the annual financial statements of the Group for the year ended 31 December 2016 amounted to €38.000 (2015: €34.200). The total fees charged by the Group's statutory auditor for the year ended 31 December 2016 for tax advisory services amounted to €2.000 (2015: €1.350), for other assurance services amounted to €NIL (2015: €3.400) and for other non-assurance services amounted to €5.250 (2015: €22.250).

9 Staff costs

	2016	2015
	€	€
Salaries	**4.400.944**	4.001.169
Wages	**798.765**	1.147.521
Social Insurance costs	**463.707**	462.324
Other contributions	**98.347**	97.646
Social Cohesion Fund contribution	**83.269**	82.690
Other staff costs	**80.865**	110.073
Contribution to Provident Fund:		
Directors	**1.113**	1.113
Employees	**93.919**	6.991
	6.020.949	5.909.527
Average number of staff employed during the year	**308**	317

The Group has two defined contribution plans, the Employees Provident Fund of Mitsides Public Company Limited and the Employees Provident Fund of the Company Larnaca Flourmills "Zenon" Limited. During the year, the funds were dissolved and the Group has created a new defined contribution plan, which includes employees from both Companies. The Fund is financed separately and prepares its own financial statements from which the employees are entitled to certain benefits upon retirement or early termination of service.

10 Finance costs

	2016	2015
	€	€
Interest expense:		
Bank borrowings	**783.838**	969.444
Finance lease liabilities	**5.622**	3.737
Overdue taxation	**42**	-
Total interest expense	**789.502**	973.181
Net foreign exchange losses on financing activities	**136.002**	76.251
	925.504	1.049.432

11 Income tax (credit)/charge

	2016 €	2015 €
Current tax:		
Corporation tax	**197.015**	85.770
Defence contribution	**281**	709
Total current tax	**197.296**	86.479
Prior year tax:		
Corporation tax	**(4.377)**	(28.849)
Total prior year tax	**(4.377)**	(28.849)
Deferred tax (Note 27)		
Origination and reversal of temporary differences	**135.321**	(61.500)
Total deferred tax	**135.321**	(61.500)
Income tax charge/(credit)	**328.240**	(3.870)

The tax on the Group's losses before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2016 €	2015 €
Loss before tax	**(856.334)**	(1.841.580)
Tax calculated at the applicable corporation tax rate of 12,5%/15%	**(150.007)**	(272.542)
Tax effect of expenses not deductible for tax purposes	**257.283**	188.737
Tax effect of allowances and income not subject to tax	**(178.104)**	(85.393)
Difference between income tax and Capital gains tax rates and indexation effect	**150.830**	(56.687)
Corporation tax-prior years	**(4.377)**	(28.849)
Defence contribution	**281**	709
Effect of tax losses for which no provision for deferred tax was made	**241.933**	242.359
10% Penalty	**70.401**	7.796
Income tax charge/(credit)	**328.240**	(3.870)

The Companies of the Group are subject to corporation tax on taxable profits at the rate of 12,5% as from 1 January 2013 for the Cyprus registered Companies of the Group and 15% for the Serbian Company of the Group.

As from tax year 2013 brought forward losses of only five years for the Cyprus registered Companies may be transferred and utilised against profits. The Group's subsidiary Company which is located in Serbia can transfer and merge its tax losses up to 10 years.

From 1 January 2009 onwards, under certain conditions interest may be exempt from income tax and only subject to defence contribution at the rate of 10%, increased to 15% as from 31 August 2011 and to 30% as from 29 April 2013.

In certain cases dividends from abroad may be subject to special defence contribution at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012 reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

11 Income tax expense (continued)

The tax charge/(credit) relating to components of other comprehensive income is as follows:

Tax effects of components of other comprehensive income

	Year ended 31 December 2016			Year ended 31 December 2015		
	Before tax	**Tax (charge)/ credit**	**After tax**	Before tax	Tax (charge)/ credit	After tax
	€	**€**	**€**	€	€	€
Land and buildings:						
Deferred tax adjustment	**-**	**(291)**	**(291)**	-	(3.530)	(3.530)
Available for sale financial assets:						
Fair value loss	**(2.086)**	**-**	**(2.086)**	(1.670)	-	(1.670)
Foreign exchange difference from translation of subsidiary company	**(60.734)**	**-**	**(60.734)**	(31.785)	-	(31.785)
Loss on revaluation of land and building – net of tax	**(15.000)**	**-**	**(15.000)**			
Other comprehensive income	**(77.820)**	**(291)**	**(78.111)**	(33.455)	(3.530)	(36.985)

12 Losses per share

The basic loss per share is calculated by dividing loss attributable to the shareholders by the weighted average number of issued shares during the year.

	2016	2015
	€	€
Loss for the year attributable to shareholders	**(1.184.574)**	(1.837.710)
Weighted average number of issued shares	**8.000.000**	8.200.000
Basic loss per share - cents	**(14,45)**	(22,41)

13 Dividends per share

The Board of Directors does not recommend the payment of dividend.

14 Financial instruments by category

	Loans and receivables	Available-for sale	Total
	€	€	€
31 December 2016			
Assets as per balance sheet			
Available-for-sale financial assets	-	10.528	10.528
Trade and other receivables (excluding prepayments)	9.142.266	-	9.142.266
Cash and bank balances	480.646	-	480.646
Non-current receivables	24.205	-	24.205
Total	9.647.117	10.528	9.657.645

14 Financial instruments by category (continued)

	Financial liabilities €
Liabilities as per balance sheet	
Borrowings (excluding finance lease liabilities)	15.847.239
Trade and other payables (excluding statutory liabilities)	7.452.873
Finance lease liabilities	55.737
Total	23.355.849

	Loans and receivables €	Available-for sale €	Total €
31 December 2015			
Assets as per balance sheet			
Available-for-sale financial assets	-	20.604	20.604
Trade and other receivables (excluding prepayments)	10.142.827	-	10.142.827
Cash and bank balances	567.961	-	567.961
Non-current receivables	22.943	-	22.943
Total	10.733.731	20.604	10.754.335

	Financial liabilities €
Liabilities as per balance sheet	
Borrowings (excluding finance lease liabilities)	17.748.503
Trade and other payables (excluding statutory liabilities)	6.859.379
Finance lease liabilities	35.140
Total	24.643.022

15 Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	2016 €	2015 €
Trade receivables that are neither past due nor impaired		
Counterparties without external credit rating		
Group 1	**40.801**	544.052
Group 2	**3.779.469**	896.234
Group 3	**416.158**	3.402.156
Total trade receivables that are neither past due nor impaired	**4.236.428**	4.842.442

15 Credit quality of financial assets (continued)

	2016 €	2015 €
Other receivables that are neither past due nor impaired		
Group 4	**60.146**	45.115
Group 5	**494.055**	631.439
	554.201	676.554
Cash at bank and short-term bank deposits [1]		
Caa1	**144.138**	-
Caa2	**-**	144.198
Caa3	**189.644**	214.254
Not rated	**97.298**	184.090
	431.080	542.542

(1) The rest of the balance sheet item 'cash and bank balances' is cash in hand.

Group 1 – new receivables (less than 6 months).

Group 2 - existing customers (more than 6 months) with no defaults in the past.

Group 3 - existing customers (more than 6 months) with some defaults in the past. Total defaults have been fully recovered.

Group 4 - companies within the group, common control companies and associates with no defaults in the past.

Group 5 - other receivables

None of the financial assets that are fully performing has been renegotiated in the last year.

None of the loans and receivables from related parties is past due or impaired.

16 Property, plant and equipment

	Land and buildings €	Plant machinery and tools €	Furniture, fixtures and computer hardware €	Motor vehicles €	Total €
At 1 January 2015					
Cost or valuation	21.328.761	11.653.120	1.208.817	2.122.253	**36.312.951**
Accumulated depreciation	(730.728)	(5.990.612)	(1.069.841)	(1.980.101)	**(9.771.282)**
Net book amount	20.598.033	5.662.508	138.976	142.152	**26.541.669**
Year ended 31 December 2015					
Opening net book amount	20.598.033	5.662.508	138.976	142.152	**26.541.669**
Additions	40.470	957.787	43.437	82.454	**1.124.148**
Transfer to property, plant and equipment due to charge in use (Note 17)	690.000	-	-	-	**690.000**
Disposals	-	(44.749)	-	-	**(44.749)**
Depreciation charge (Note 8)	(727.822)	(710.197)	(51.856)	(88.488)	**(1.578.363)**
Foreign exchange differences	(39.164)	(22.975)	-	-	**(62.139)**
Closing net book amount	20.561.517	5.842.374	130.557	136.118	**26.670.566**

16 Property, plant and equipment (continued)

	Land and buildings €	Plant machinery and tools €	Furniture, fixtures and computer hardware €	Motor vehicles €	Total €
At 31 December 2015					
Cost or valuation	22.020.067	12.406.603	1.252.254	2.204.707	**37.883.631**
Accumulated depreciation	(1.458.550)	(6.564.229)	(1.121.697)	(2.068.589)	**(11.213.065)**
Net book amount	20.561.517	5.842.374	130.557	136.118	**26.670.566**
Year ended 31 December 2016					
Opening net book amount	20.561.517	5.842.374	130.557	136.118	**26.670.566**
Additions	728	312.615	26.078	11.144	**350.565**
Disposals	-	(73.510)	-	-	**(73.510)**
Deprecation charge (Note 8)	(720.433)	(728.096)	(45.570)	(65.599)	**(1.559.898)**
Foreign exchange differences	(107.041)	(58.400)	-	-	**(165.441)**
Transfer to assets available for sale	(60.263)	(84.101)	-	-	**(144.364)**
Transfer to property, plant and equipment due to change in use (Note 17)	230.000	-	-	-	**230.000**
Revaluation loss (Note 7)	(15.000)	-	-	-	**(15.000)**
Closing net book amount	19.889.508	5.210.682	111.065	81.663	**25.292.918**
At 31 December 2016					
Cost or valuation	22.068.491	12.154.212	1.278.332	2.215.851	**37.716.916**
Accumulated depreciation	(2.178.983)	(6.943.560)	(1.167.267)	(2.134.188)	**(12.423.998)**
Net book amount	19.889.508	5.210.682	111.065	81.663	**25.292.918**

Bank borrowings are secured on land and buildings of the parent company of the Group (including investment properties Note 17) for €7.498.658 (2015: €7.498.658), of the subsidiary Company Larnaca Flourmills "Zenon" Limited for €1.625.160 (2015: €1.625.160) and of the subsidiary Company Mitsides Point d.o.o. for €6.276.954 (RSD775.030.000) (2015: €6.695.997 (RSD814.408.000)). Plant and equipment of the subsidiary Company Mitsides Point d.o.o. of €1.089.888 (RSD134.571.000) (2015: €1.293.078) (RSD157.272.000)) and investment property (Note 17) of €633.478 (RSD78.217.000) (2015: €641.310) (RSD78.000.000) are also secured for bank borrowings (Note 26).

In the cash flow statement proceeds from the sale of property, plant and equipment comprise:

	2016 **€**	2015 €
Net book amount	**73.510**	44.399
Profit/(loss) on sale of property, plant and equipment (Note 7)	**45.845**	3.522
Foreign exchange differences	**225**	350
Proceeds from sale of property, plant and equipment	**119.580**	48.271

Plant and equipment include the following amounts that the Company is the lessee according to finances leases.

	2016 **€**	2015 €
Cost of capitalised finance leases	**86.991**	48.370
Accumulated depreciation	**(8.593)**	(1.004)
Net book amount	**78.398**	47.336

16 Property, plant and equipment (continued)

Operating lease rentals amounting to €69.525 (2015: €70.912) relating to the lease of property are included in profit or loss (Note 8).

Depreciation expense of €1.334.613 (2015: €1.211.212) has been charged in “cost of sales”, €155.724 (2015: €229.274) in “selling and marketing expenses” and €69.561 (2015: €137.877) in “administrative expenses”.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2016	2015
	€	€
Cost	**13.148.542**	12.917.814
Accumulated depreciation	**(7.250.969)**	(6.402.695)
Net book amount	**5.897.573**	6.515.119

Fair value of land and buildings

The land and buildings of the parent company and its subsidiary Larnaca Flourmills "Zenon" Limited and its subsidiary Mitsides Point d.o.o. which was fully acquired during 2010, were last revalued on 31 December 2013 by independent valuers. The revaluation resulted in changes on the fair value of land and buildings of the Serbian subsidiary Company Mitsides Point d.o.o. amounting to €2.472.852. An amount of €155.484 which is included in the amount of €2.472.852 relates to fair value gains arising from the revaluation of a building in Serbia at fair value before transferring it from the land and buildings category to investment property, following a change in use. The revaluation revealed no significant changes in the fair value of land and buildings of the parent Company and its subsidiary Larnaca Flourmills "Zenon" Limited. The revaluation surplus net of applicable deferred taxes was credited to other comprehensive income and is shown in "fair value reserves" in equity (Note 25). The following table analyses non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Fair value measurements at 31 December 2016 using		
	Quoted prices in active markets for identical assets (Level 1)	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
	€	€	€
Recurring fair value measurements			
Land and buildings			
Manufacturing sites - Cyprus	-	-	12.730.273
Manufacturing sites - Serbia	-	-	6.709.650
Flat - Serbia	-	-	234.585
House - Serbia	-	-	215.000
	-	-	19.889.508

16 Property, plant and equipment (continued)

	Fair value measurements at 31 December 2015 using		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	€	€	€
Recurring fair value measurements			
Land and buildings			
– Manufacturing sites – Cyprus	-	-	13.066.943
– Manufacturing sites - Serbia	-	-	7.246.956
– Flat- Serbia	-	-	247.618
	-	-	20.561.517

Valuation processes of the Group

The Group engages at regular intervals, external, independent and qualified valuers to determine the fair value of land and buildings of the Group. On 31 December 2013 the fair values of the land and buildings were determined by D & M Axia Chartered Surveyors Limited, member of RICS while the fair values of land and buildings located in Serbia were determined by Mr. Nicola Sekoulik (Civil Engineer).

The external valuations of the level 3 land and buildings have been performed using a sales comparison approach to determine the value of the land and the depreciated replacement cost method to determine the value of the buildings. However for manufacturing sites in Cyprus there have been a limited number of similar sales in the local market and the valuations have been performed using unobservable inputs. The external valuers, in discussion with the Group's management have determined these inputs based on the size, age and condition of the land and buildings, the state of the local economy and comparable prices in the corresponding area. The most important factor in these valuation methods is the price per square meter.

Information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2016	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair values
Manufacturing sites – Cyprus					
Land	12.730.274	comparable prices	Price per square meter	€109 - €750 (€239)	The higher the price per square meter the higher the fair value
Buildings		depreciated replacement cost	Price per square meter	€379 - €565 (€490)	The higher the price per square meter the higher the fair value
Manufacturing sites – Serbia					The higher the price per square meter the higher the fair value
Land	6.709.650	comparable prices	Price per square meter	€90	The higher the price per square meter the higher the fair value
Buildings		depreciated replacement cost	Price per square meter		The higher the price per square meter the higher the fair value
Flat – Serbia	234.585	comparable prices	Price per square meter	€1.955	The higher the price per square meter the higher the fair value
House - Serbia	215.000	comparable prices	Price per square meter	€512	The higher the price per square meter the higher the fair value

16 Property, plant and equipment (continued)

Information about fair value measurements using significant unobservable inputs (Level 3) – 31 December 2015

Description	Fair value at 31 December 2015 €	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair values
Manufacturing sites - Cyprus					
Land	13.066.943	Comparable price	Price per square meter	€109 - €750 (€239)	The higher the price per square meter the higher the fair value
Buildings		Depreciated replacement cost	Price per square meter	€379 - €565 (€490)	The higher the price per square meter the higher the fair value
Manufacturing sites – Serbia					
Land	7.246.956	Comparable price	Price per square meter	€90	The higher the price per square meter the higher the fair value
Buildings		Depreciated replacement cost	Price per square meter		The higher the price per square meter the higher the fair value
Flat – Serbia	247.618	Comparable price	Price per square meter	€2.063	The higher the price per square meter the higher the fair value

There was no any movement between levels during the year.

The above mentioned amounts have been amended after 31 December 2013 to include depreciation and additions amounts for 2014, 2015 and 2016.

17 Investment property

	2016	2015
	€	€
At beginning of the year	**3.360.898**	4.208.933
Transfer to property, plant and equipment (Note 16)	**(230.000)**	(690.000)
Additions	**585.483**	1.434
Fair value loss (Note 7)	**(39.730)**	(154.561)
Foreign exchange differences	**(12.639)**	(4.908)
At end of the year	**3.664.012**	3.360.898

Fair value is determined using comparable prices. The sales prices of comparable land and buildings in nearby locations are adjusted for differences in key characteristics like the size of the property.

Country	**Idle land-Cyprus**	**Rented properties-Serbia**	**2016 Total**	2015 Total
	€	**€**	**€**	€
Fair value hierarchy	3	3		
Fair value at 1 January	**2.472.980**	**887.918**	**3.360.898**	4.208.933
Transfer to property, plant and equipment – Fair value	**-**	**(230.000)**	**(230.000)**	(690.000)
Additions	**585.483**	**-**	**585.483**	1.434
Net (loss)/gain from fair value adjustments on investment property	**(42.249)**	**2.519**	**(39.730)**	(154.561)
Foreign exchange differences	**-**	**(12.639)**	**(12.639)**	(4.908)
Fair value at 31 December	**3.016.214**	**647.798**	**3.664.012**	3.360.898

The Group's investment property is measured at fair value. The Group holds two classes of investment property being idle land not used by the Group and rented properties.

17 Investment property (continued)

The following amounts have been recognized in profit or loss:

	2015	2015
	€	€
Rental income (Note 6)	**61.368**	63.278

Bank borrowings are secured on the Group's parent Company's land and buildings (including land and buildings in property, plant and equipment (Note 16) for €7.498.658 (2015: €7.498.658) (Note 26). Investment property of the subsidiary Company Mitsides Point d.o.o. of €633.478 (RSD78.217.000) (2015: €641.310) (RSD78.000.000) are also secured for bank borrowings.

The above additions on investment property and specifically on idle land Cyprus, amounting to €585.483 includes additions of €472.016 which have been acquired against receivable's balances.

Valuation processes

The Company's investment properties were valued at 31 December 2016 by independent professionally qualified valuers, D & M Axia Chartered Surveyors Limited, for the investment properties located in Cyprus and Mr Milan Zarubica (Civil Engineer) for the investment properties located in Serbia. D & M Axia Chartered Surveyors Limited, member of RICS, holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use. The Group's finance department reviews the valuations performed by the independent valuers for financial reporting purposes. Discussions of valuation processes and results are held between the CFO, Management and the independent valuers at least once every year. At each financial year end the Group's finance department:

- verifies all major inputs to the independent valuation report
- assesses property valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer

Changes in Level 3 fair values are analysed at each reporting date during the annual valuation discussions between the CFO, Audit Committee and the independent valuer.

Information about fair value measurement using significant unobservable inputs (Level 3) – 31 December 2016

Property	**Valuation**	**Valuation technique**	**Unobservable inputs**	**Range of unobservable inputs (weighted average)**	**Relationship of unobservable inputs to fair value**
	€		**€**	**%**	
Cyprus					
Idle land	2.996.980	Comparable prices	Price per square meter	€155-€700	The higher the price per square meter the higher the fair value
Serbia					
Rented properties	667.032	Depreciated replacement cost	Price per square meter	€116	The higher the price per square meter the higher the fair value
	3.664.012				

17 Investment property (continued)

Information about fair value measurement using significant unobservable inputs (Level 3) – 31 December 2015

Property	Valuation €	Valuation technique	Unobservable inputs €	Range of unobservable inputs (weighted average) %	Relationship of unobservable inputs to fair value
Idle land	2.323.000	Comparable prices	Price per square meter	€140-€200 (€170)	The higher the price per square meter the higher the fair value
Buildings not used	149.980	Comparable prices	Price per square meter	€500	The higher the price per square meter the higher the fair value
Serbia					
Rented properties	887.918	Depreciated replacement cost	Price per square meter	€155	The higher the price per square meter the higher the fair value
	3.360.898				

Sensitivity of management's estimates – 31 December 2016

	(Decrease)/Increase in price per square meter					
	-15% €	-10%	-5% €	5% €	10% €	15% €
Cyprus						
Idle land	(449.550)	(299.700)	(149.850)	149.850	299.700	449.550
Serbia						
Rented properties	(100.055)	(66.703)	(33.352)	33.352	66.703	100.055
	(549.605)	(366.403)	(183.202)	183.202	366.403	549.605

Sensitivity of management's estimates – 31 December 2015

	(Decrease)/Increase in price per square meter					
	-15% €	-10%	-5% €	5% €	10% €	15% €
Cyprus						
Idle land	(348.450)	(232.300)	(116.150)	116.150	232.300	348.500
Buildings not used	(22.500)	(15.000)	(7.500)	7.500	15.000	22.500
Serbia						
Rented properties	(133.188)	(88.792)	(44.396)	44.396	88.792	133.188
	(504.138)	(336.092)	(168.046)	168.046	336.092	504.138

18 Intangible assets

	Goodwill €	Computer software €	**Total** **€**
At 1 January 2015			
Cost	750.396	369.980	**1.120.376**
Accumulated amortization and impairment charges	-	(305.079)	**(305.079)**
Net book amount	750.396	64.901	**815.297**
Year ended 31 December 2015			
Opening net book amount	750.396	64.901	**815.297**
Additions	-	36.495	**36.495**
Amortisation charge (Note 8)	-	(28.412)	**(28.412)**
Exchange differences	-	(428)	**(428)**
Closing net book amount	750.396	72.556	**822.952**
At 31 December 2016			
Cost	750.396	405.648	**1.156.044**
Accumulated amortization and impairment charges	-	(333.092)	**(333.092)**
Net book amount	750.396	72.556	**822.952**
Year ended 31 December 2016			
Opening net book amount	750.396	72.556	**822.952**
Additions	-	128.503	**128.503**
Amortisation charge (Note 8)	-	(25.417)	**(25.417)**
Exchange differences	-	(1.364)	**(1.364)**
Closing net book amount	750.396	174.278	**924.674**
At 31 December 2016			
Cost	750.396	531.740	**1.282.136**
Accumulated amortization and impairment charges	-	(357.462)	**(357.462)**
Net book amount	750.396	174.278	**924.674**

Computer software is amortised using the straight line method over a 3 year period. Amortisation of €25.417 (2015: €28.412) is included in “administrative expenses” in profit or loss.

Intangible assets includes goodwill from the acquisition of Blue Azul Investments Limited and its wholly subsidiary company Larnaca Flourmills “Zenon” Limited, as well as computer software acquired by the Group.

Impairment test for goodwill

Goodwill arising from the acquisition of the subsidiary Company refers to the manufacturing site of milling and selling flour and its derivatives, of the Company Larnaca Flourmills “Zenon “ Limited.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period.

18 Intangible assets (continued)

Impairment test for goodwill (continued)

The key assumptions used for the value-in-use calculations are as follows:

- Gross margin: 18% (2015: 18%)
- Growth rate: 3% (2015: 3%)
- Discount rate: 10% (2015: 10%)

Management determines budgeted gross margin based on past performance and its expectations for market developments. Using the above assumptions, it was determined that the carrying amount of goodwill arising from the acquisition of the subsidiary Company of €750.396 is below the value-in-use of the business and as a result no impairment of its value is required.

19 Available-for-sale financial assets

	2016 €	2015 €
At beginning of year	**20.604**	25.090
Net losses transferred to other comprehensive income (Note 25)	**(2.086)**	(1.670)
Capital reduction	**(8.075)**	(46)
Exchange differences	**85**	(2.770)
At end of year	**10.528**	20.604

Available-for-sale financial assets are analysed as follows:

	2016 €	2015 €
Listed equity securities:		
Cyprus Stock Exchange	**5.475**	7.561
Unlisted equity securities	**5.053**	13.043
	10.528	20.604

In addition, during the year there was a dividend income of €41 (2015: €36) from available-for-sale financial assets, which is included in 'other income' in profit or loss (Note 6).

Available-for-sale financial assets are denominated in the following currencies:

	2016 €	2015 €
Euro – functional and presentation currency	**7.953**	10.039
Serbian Dinar	**2.575**	10.565
	10.528	20.604

20 Inventories

	2016 €	2015 €
Raw materials	**2.944.317**	4.919.381
Finished goods	**2.474.361**	1.983.026
Spare parts	**525.362**	522.359
Fuels and lubricants	**24.975**	14.797
Goods in transit	**1.196.960**	96.732
	7.165.975	7.536.295

All inventories are stated at cost.

Bank loans of the subsidiary Mitsides Point d.o.o. are secured by pledge of 5.288.387 Kg of wheat amounted to €760.430 (RSD93.892.000) (Note 26).

21 Non-current receivables

	2016 €	2015 €
Current		
Loans to third parties	**24.205**	22.943

During 2015, the parent company didn’t grant any additional loans to third parties but interest amount of €1.196 has been calculated for the existing loans.

During 2016, the parent company didn’t grant any additional loans to third parties but interest amount of €1.262 has been calculated for the existing loans.

The loan is due for payment on 31 December 2016. A small extension to the repayment date has been given.

The effective interest rates on non-current receivables were as follows:

	2016 %	2015 %
Other non-current receivables	**5,5**	5,5

21 Non-current receivables (continued)

The carrying amounts of the Group's non-current receivables are denominated in the following currencies:

	2016 €	2015 €
Euro - functional and presentation currency	**24.205**	22.943-

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivable mentioned above. The above mentioned receivable amount is secured by property belonging to the borrower.

22 Trade and other receivables

	2016 €	2015 €
Trade receivables	**10.295.846**	11.832.707
Less: Provision for impairment of receivables	**(1.683.576)**	(2.343.491)
Trade receivables – net	**8.612.270**	9.489.216
Receivables from related companies (Note 31 (ii))	**60.146**	45.115
Other receivables	**469.850**	608.496
Prepayments	**67.969**	76.109
	9.210.235	10.218.936

The fair value of trade and other receivables are as follows:

	2016 €	2015 €
Trade receivables	**8.612.270**	9.489.216
Receivable from related parties	**60.146**	45.115
Other receivables	**469.850**	608.496
Prepayments	**67.969**	76.109
	9.210.235	10.218.936

At 31 December 2016, trade receivables of €4.236.428 (2015: €4.842.442) were neither past due nor impaired (Note 15).

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2016, trade receivables of the €4.375.842 (2015: €4.646.774) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2016 €	2015 €
Over 3 months	**4.375.842**	4.646.774

22 Trade and other receivables (continued)

At 31 December 2016, trade receivables of €1.683.576 (2015: €2.343.491) were impaired and provided for. The impaired receivables include mainly wholesalers, which are in an unexpectedly difficult economic situation. The ageing analysis of these receivables is as follows:

	2016 €	2015 €
Over 12 months	**1.683.576**	2.343.491

Movements on the Group's provision for impairment of trade receivables are as follows:

	2016 €	2015 €
At 1 January	**2.343.491**	2.515.610
Specific provision for impairment of receivables (Note 8)	**52.670**	573.266
Bad debts recovered (Note 8)	**(39.354)**	(2.693)
Receivables written off during the year as uncollectible	**(655.177)**	(735.881)
Foreign exchange differences	**(18.054)**	(6.811)
At 31 December	**1.683.576**	2.343.491

The creation and reversal of provision for impaired receivables have been included in 'administrative expenses' in profit or loss (Note 8). Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired or past due assets.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of receivables mentioned above. The Group do not hold any collateral as security.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2016 €	2015 €
Euro – functional and presentation currency	**7.637.477**	8.435.134
Serbian Dinar	**1.572.758**	1.783.802
	9.210.235	10.218.936

23 Cash and bank balances

	2016 €	2015 €
Cash at bank and in hand	**968.597**	456.461
Short term bank deposits	**112.049**	111.500
	480.646	567.961

23 Cash and bank balances (continued)

The effective interest rate on short term bank deposits was 0,62% (2015: 2,08%).

Cash and bank balances and bank overdrafts include the following for the purposes of the statement of cash flows:

	2016	2015
	€	€
Cash and bank balances	**480.646**	567.961
Bank overdrafts (Note 26)	**(9.974.649)**	(10.814.500)
	(9.494.003)	(10.246.539)

Cash and bank balances are denominated in the following currencies:

	2016	2015
	€	€
Euro – functional and presentation currency	**419.093**	427.109
Serbian Dinar	**61.553**	140.852
	480.646	567.961

24 Share capital

	Number of ordinary shares	Share capital €	Total €
Issued share capital			
At 1 January 2015/31 December 2015/ 31 December 2016	8 200 000	8.446.000	8.446.000

The total authorised number of ordinary shares is 33 333 333 (2015: 33 333 333 shares) of nominal value €1,03 per share. All issued shares are fully paid.

25 Other reserves

	Land and buildings €	Available-for-sale financial assets €	Total €
At 1 January 2015	9.164.763	(466.261)	8.698.502
Available-for-sale financial assets:			
Fair value gain (Note19)	-	(1.670)	(1.670)
Land and buildings:			
Depreciation transfer – gross	(127.842)	-	(127.842)
Depreciation transfer – tax	15.980	-	15.980
Deferred tax on adjustment (Note 27)	(3.530)	-	(3.530)
Foreign exchange differences	(10.235)	-	(10.235)
At 31 December 2015	9.039.136	(467.931)	8.571.205
At 31 December 2015/1 January 2016	9.039.136	(467.931)	8.571.205
Available-for-sale financial assets:			
Fair value loss (Note19)	-	(2.086)	(2.086)
Land and buildings:			
Revaluation loss – net tax	(15.000)	-	(15.000)
Depreciation transfer – gross	(134.426)	-	(134.426)
Depreciation transfer – tax	16.803	-	16.803
Deferred tax on adjustment (Note 27)	(291)	-	(291)
Foreign exchange differences	(27.712)	-	(27.712)
At 31 December 2016	8.878.510	(470.017)	8.408.493

26 Borrowings

	2016 €	2015 €
Current		
Bank overdrafts (Note 23)	**9.974.649**	10.814.500
Bank borrowings	**3.609.208**	2.582.728
Finance lease liabilities	**15.007**	9.866
	13.598.864	13.407.094
Non-current		
Bank borrowings	**2.263.382**	4.351.275
Finance lease liabilities	**40.730**	25.274
	2.304.112	4.376.549
Total borrowings	**15.902.976**	17.783.643

	2016 €	2015 €
Maturity of non-current borrowings:		
Between 1 and 2 years	**532.264**	2.515.388
Between 2 and 5 years	**1.501.758**	1.342.279
Later than 5 years	**229.360**	493.608
	2.263.382	4.351.275

26 Borrowings (continued)

	2016 €	2015 €
Finance lease liabilities		
Not later than 1 year	**17.389**	11.346
Later than 1 year and not later than 5 years	**43.953**	27.502
	61.342	33.848
Future finance charges on finance lease liabilities	**(5.605)**	(3.708)
Present value of finance lease liabilities	**55.737**	35.140
The present value of finance lease liabilities is as follows:		
Not later than 1 year	**15.007**	9.866
Later than 1 year and not later than 5 years	**40.730**	25.274
	55.737	35.140

The bank loans are repayable by monthly instalments by May 2019. The bank loans and overdrafts are secured as follows:

(i) By floating charge on the parent Company's assets for €4.088.064 (2015: €4.088.064),

(ii) By mortgage of land and buildings of parent company for €7.498.658 (2015: €7.498.658) (Notes 16 and 17),

(iii) My mortgage of land and buildings of Larnaca Flourmills "Zenon" Limited for €1.625.160 (2015: €1.625.160) (Note 16),

(iv) By mortgage of land and buildings of the subsidiary company Mitsides Point d.o.o. for €6.276.954 (RSD775.030.000) (2015: €6.695.997 (RSD814.408.000) (Note 16),

(v) By mortgage of investment property of the subsidiary company Mitsides Point d.o.o. of €633.478 (RSD78.217.000) (2015: €641.310) (RSD78.000.000)) (Note 17),

(vi) By guarantee of subsidiary company Mitsides Point d.o.o. for €1.089.888 (RSD134.571.000) (2015: €1.293.078 (RSD157.272.000) (Note 16),

(vii) By pledge of 5.288.387 Kg of wheat amounted to €760.430 (RSD93.892.002) of the subsidiary Mitsides Point d.o.o. (Note 20).

(viii) By pledge of fire insurance of parent company for €18.898.650 (2015: €20.456.407),

(ix) By pledge of fire insurance of the subsidiary company Larnaca Flourmills "Zenon" Limited for €2.450.000 (2015: €2.450.000).

(x) The Parent Company has provided guarantees amounting to €5.883.000 (2015: €6.283.000) to secure banking facilities of the subsidiary company Mitsides Point d.o.o., from which no significant liabilities are expected to arise.

(xi) Promissory note of €923.244 (RSD113.995.000) (2015: €1.713.974) (RSD208.464.000))as a security on the purchase of wheat through additional loan facility granted to the subsidiary company Mitsides Point d.o.o. obtained from IIG Bank (Malta) Ltd.

The finance lease liabilities are secured because the rights of the assets leased return to the lessor in cased of payment failure by the lessee.

The weighted average effective interest rates at the balance sheet date were as follows:

	2016 %	2015 %
Bank borrowings	**5,57**	6,19
Bank overdrafts	**3,53**	4,44
Finance lease liabilities	**5,53**	5,53

26 Borrowings (continued)

The bank borrowings and bank overdrafts of the Group are arranged mainly at floating rates. Borrowings at fixed rates expose the Group to fair value interest rate risk. For borrowings at floating rates, interest rates are determined regularly thus exposing the Group to cash flow interest rate risk.

The exposure of the Company's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	2016	2015
	€	€
6 months or less	**5.872.590**	6.934.003
6-12 months	**9.974.649**	10.814.500
1-5 years	**55.737**	35.140
	15.902.976	17.783.643

The Group has the following undrawn borrowing facilities:

	2016	2015
	€	€
Floating rate:		
Expiring within one year	**2.200.371**	1.723.393

The facilities expiring within the one year are annual facilities subject to review at various dates during 2016. Other facilities have been arranged so as to help finance the needs of the Group for working capital.

The carrying amounts of bank overdrafts and bank loans approximate their fair value.

The carrying amounts of the Group’s borrowings are denominated in the following currencies:

	2016	2015
	€	€
Euro – functional and presentation currency	**15.847.239**	17.748.503
Serbian Dinar	**55.737**	35.140
	15.902.976	17.783.643

27 Deferred income tax liabilities

The analysis of deferred income tax assets and deferred income tax liabilities are as follows:

	2016	2015
	€	€
Deferred income tax assets:		
- Deferred tax assets to be recovered after more than twelve months	**126.102**	394.735
Deferred income tax liabilities:		
- Deferred tax liabilities to be settle after more than twelve months	**3.186.604**	3.331.495
Deferred income tax liabilities – net	**3.060.502**	2.936.760

27 Deferred income tax liabilities (continued)

The gross movement on the deferred income tax account is as follows:

	2016	2015
	€	€
At the beginning of the year	**2.936.760**	2.998.841
Charge included in profit or loss (Note 11)	**135.321**	(61.500)
Tax credit relating to components of other comprehensive income (Note 25)	**291**	3.530
Exchange differences	**(11.870)**	(4.111)
At the end of year	**3.060.502**	2.936.760

The movement in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Revaluation of land, buildings and machinery	Difference between depreciation and wear and tear allowance	Total
	€	€	€
At 1 January 2015	2.797.122	598.633	3.395.755
Debit/(credit):			
Profit or loss (Note 11)	(32.789)	(28.711)	(61.500)
Other comprehensive income (Note 25)	3.530	-	3.530
Exchange differences	(4.888)	(1.402)	(6.290)
At 31 December 2015/1 January 2016	2.762.975	568.520	3.331.495
Debit/(credit):			
Profit or loss (Note 11)	(15.197)	(113.020)	(128.217)
Other comprehensive income (Note 25)	291	-	291
Exchange differences	(13.237)	(3.728)	(16.965)
At 31 December 2016	2.734.832	451.772	3.186.604

Deferred tax assets	Tax losses
	€
At 1 January 2015	396.914
Credit:	
Exchange differences	(2.179)
At 31 December 2015/1 January 2016	394.735
Credit:	
Exchange differences	(5.095)
Profit or loss (Note 11)	(263.538)
At 31 December 2016	126.102

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of €1.373.647 (RSD169.607.000) in respect of losses that can be carried forward against future taxable income up to 10 years.

28 Trade and other payables

	2016 €	2015 €
Trade payables	**7.010.772**	6.571.144
Social Insurance, VAT and other taxes	**302.593**	174.987
Accrued expenses	**366.610**	257.202
Other payables	**36.373**	18.799
Advances received	**39.118**	12.234
Defence contribution payable on deemed dividend distribution	**-**	38.655
	7.755.466	7.073.021

The fair value of the trade and other payables which are due within one year approximate their carrying amount on the balance sheet date.

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2016 €	2015 €
Euro – functional and presentation currency	**4.900.445**	4.741.096
Serbian Dinar	**2.855.021**	2.331.925
	7.755.466	7.073.021

29 Contingencies

At 31 December 2016 the Group had contingent liabilities in respect of the following:

(α) bank guarantees arising in the ordinary course of business from which it is anticipated that no material liability will arise. These guarantees amounted to €104.494 (2015: €10.126).

(b) guarantee to secure invoice discounting facilities of subsidiary Larnaca Flourmills "Zenon" Limited. The amount, as per agreement, given in the subsidiary from Bank of Cyprus Limited (ex Laiki Factors Limited) for invoice discounting on 31 December 2016 amounted to €Nil (2015: €362.382).

(c) The Parent Company has provided guarantees amounting to €5.883.000 (2015: €6.283.000) to secure banking facilities of the subsidiary company Mitsides Point d.o.o., from which no significant liabilities are expected to arise.

(d) Promissory note of €923.244 (RSD113.995.000) (2015: €1.713.974) RSD208.464.000) as a security on the purchase of wheat through additional loan facility granted to the subsidiary company Mitsides Point d.o.o. obtained from IIG Bank (Malta) Ltd.

30 Commitments

Operating lease commitments – where the Group is the lessee

The Group leases warehouses under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group is required to give a six-month notice, based on the terms of the lease agreement, for the termination of these agreements. The lease expenditure charged to profit or loss during the year is disclosed in Note 8.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
	€	€
Not later than 1 year	**31.031**	31.031
Between 2 and 5 years	**56.625**	83.625
	87.656	114.656

31 Related party transactions

The Group and the Company are controlled by Messrs Constantinos P. Mitsides, Chrysostomos St. Mitsides and Mrs Olga Lyssandrou who hold 19,49% each in the share capital of the Company and Mr Chrysostomos P. Mitsides who holds 18,25% of the share capital of the Company.

The ultimate parent entity which prepares the consolidated financial statements of the largest and smallest body of undertakings of which the Company forms part as a subsidiary undertaking, is Mitsides Public Company Limited.

The Companies Chr & C Mitsides (Timber) Limited, Chr & P Mitsides (Investments) Limited and EEG Energy Efficiency Group Cyprus are considered to be related parties due to common ownership by the Directors.

The following transactions were carried out with related parties:

(i) Purchases of goods and services

	2016	2015
	€	€
Purchases of services:		
Chr & C Mitsides (Investments) Limited	**188.252**	188.252

(ii) Year-end balances arising from sales/purchases of goods/services and financing

	2016	2015
	€	€
Receivable from related parties (Note 22):		
EEG Energy Efficiency Group Cyprus Ltd	**54.700**	43.145
Chr & P Mitsides Investments Limited	**3.120**	1.970
Chr & C Mitsides (Timber Ltd)	**2.326**	-
	60.146	45.115

Balances arise from sales/purchases of goods, services and financing.

The above balances bear no interest, are unsecured and have no fixed terms of repayment.

31 Related party transactions (continued)

(iii) Key management personnel compensation

The compensation of key management personnel and close relatives is as follows:

	2016 **€**	2015 €
Salaries and other short-term employee benefits	**1.537.468**	1.415.762

(iv) Directors' remuneration

The total remuneration of the Directors (including the key management personnel compensation above) was as follows:

	2016 **€**	2015 €
Emoluments in their executive capacity	**415.697**	399.795
Fees	**12.655**	11.550
	428.352	472.018

32 Investment in subsidiaries

The details of the subsidiaries are as follows:

Name	**Issued share capital**	**Country of incorporation**	**Principal activities**	**% interest held**	
				2016	2015
Blue Azul Investments Limited	€54.720	Cyprus	Subsidiary company Larnaca Flourmills "Zenon" Limited	**100**	100
Mitsides Point d.o.o.	€5.705.379	Serbia	Production of pasta, flour, breads and pastry	**100**	100

33 Assets held for sale

Assets held for sale represent a shop that closed and its machinery. The shop was operating as a bakery.

34 Events after the balance sheet date

There were no material events after the balance sheet date which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 8 to 15.