

REGISTRAR OF COMPANIES

**METCO (MIDDLE EAST TOBACCO CO.) LIMITED**

Report and Financial Statements

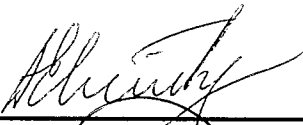
For the year ended

31 December 2014

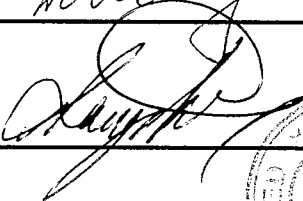
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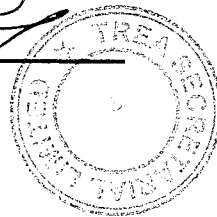
Certified true copy of the original Financial Statement, Statement of Financial Position, Directors' and Auditors' reports as presented to a general meeting.

Director :

  
\_\_\_\_\_

Secretary :

  
\_\_\_\_\_



**METCO (MIDDLE EAST TOBACCO CO.)  
LIMITED**  
REPORT AND FINANCIAL STATEMENTS  
Year ended 31 December 2014

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# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

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## REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2014

| <b>CONTENTS</b>  | <b>PAGE</b> |
|--|-------------|
| Board of Directors and other Officers                      | 1           |
| Report of the Board of Directors                           | 2           |
| Independent auditor's report                               | 3 - 4       |
| Statement of profit or loss and other comprehensive income | 5           |
| Statement of financial position                            | 6           |
| Statement of changes in equity                             | 7           |
| Cash flow statement  | 8           |
| Notes to the financial statements                          | 9 - 20      |

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# **METCO (MIDDLE EAST TOBACCO CO.) LIMITED**

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## **BOARD OF DIRECTORS AND OTHER OFFICERS**

**Board of Directors:**

Alexandros Iliadis  
Edwin Antoine Kotran

**Company Secretary:**

Trea Secretarial Limited

**Independent Auditors:**

K. Treppides & Co Limited  
Certified Public Accountants and Registered Auditors  
Treppides Tower  
9, Kafkasou street, Aglantzia  
2112, Nicosia, Cyprus

**Registered office:**

1, Dositheos Street  
Karantokis Building, 4th floor  
1071, Nicosia, Cyprus

**Bankers:**

Bank of Cyprus Public Company Ltd  
Societe Generale Bank

**Registration number:**

HE102049

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# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

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## REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2014.

### **Principal activity**

The principal activity of the Company, which is unchanged from last year, is the trading in tobacco and tobacco related products.

### **Branches**

The Company did not operate through any branches during the year under review.

### **Review of current position, future developments and significant risks**

The results of this year are not considered satisfactory and the Board of Directors is making an effort to reduce the Company losses. Despite the loss this year the Company's development to date and the financial position as reflected in the financial statements are satisfactory.

The Board of Directors does not expect in the foreseeable future, any significant changes or developments in the operations, financial position and performance of the Company, out of the ordinary course of its business.

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

### **Results and dividends**

The Company's results for the year are set out on page 5. The Board of Directors does not recommend the payment of a dividend and the net loss for the year is carried forward.

### **Share capital**

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

### **Board of Directors**

The members of the Company's Board of Directors as at 31 December 2014 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2014.

In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

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

### **Events after the reporting period**

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

### **Independent Auditors**

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

By order of the Board of Directors,

Alexandros Iliadis  
Director

Nicosia, 19 June 2015

## **Independent auditor's report**

### **To the Members of Metco (Middle East Tobacco Co.) Limited**

#### **Report on the financial statements**

We have audited the financial statements of Metco (Middle East Tobacco Co.) Limited (the "Company") on pages 5 to 20 which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### **Board of Directors' responsibility for the financial statements**

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

#### **Auditor's responsibility**

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

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

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

#### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Metco (Middle East Tobacco Co.) Limited as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

## **Independent auditor's report (continued)**

### **To the Members of Metco (Middle East Tobacco Co.) Limited**

#### **Emphasis of matter**

We draw attention to note 2 to the financial statements which indicates that the Company incurred a loss of US\$58.602 during the year ended 31 December 2014, and, as at that date its current liabilities exceeded its current assets by US\$2.866.353. These conditions, along with other matters as set forth in note 2 indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

#### **Report on other legal requirements**

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, 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 financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the financial statements.

#### **Other matter**

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

Andreas Yiasemides  
Certified Public Accountant and Registered Auditor for and on behalf of

**K. Treppides & Co Limited**  
**Certified Public Accountants and Registered Auditors**

Nicosia, Cyprus

19 June 2015

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME Year ended 31 December 2014

|  | Note | 2014<br>US\$        | 2013<br>US\$ |
|--|------|---------------------|--------------|
| Revenue                                      | 5    | <b>27.821.038</b>   | 23.012.256   |
| Cost of sales                                | 6    | <b>(26.712.557)</b> | (21.603.681) |
| <b>Gross profit</b>                          |      | <b>1.108.481</b>    | 1.408.575    |
| Selling and distribution expenses            | 7    | <b>(389.194)</b>    | (642.715)    |
| Administration expenses                      | 8    | <b>(715.605)</b>    | (690.454)    |
| <b>Operating profit</b>                      |      | <b>3.682</b>        | 75.406       |
| Net finance costs                            | 10   | <b>(60.908)</b>     | (181.245)    |
| <b>Loss before tax</b>                       |      | <b>(57.226)</b>     | (105.839)    |
| Tax  | 11   | <b>(1.376)</b>      | (1.994)      |
| <b>Net loss for the year</b>                 |      | <b>(58.602)</b>     | (107.833)    |
| <b>Other comprehensive income</b>            |      |                     |              |
| Other comprehensive income for the year      |      | -                   | -            |
| <b>Total comprehensive loss for the year</b> |      | <b>(58.602)</b>     | (107.833)    |

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



# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## STATEMENT OF FINANCIAL POSITION

31 December 2014

|                                     | Note | 2014<br>US\$       | 2013<br>US\$ |
|-------------------------------------|------|--------------------|--------------|
| <b>ASSETS</b>                       |      |                    |              |
| <b>Non-current assets</b>           |      |                    |              |
| Property, plant and equipment       | 12   | <u>3.249</u>       | 6.480        |
| <b>Current assets</b>               |      |                    |              |
| Inventories                         | 13   | 30.343             | 155.364      |
| Trade and other receivables         | 14   | 3.914.956          | 2.001.858    |
| Refundable taxes                    | 20   | 3.278              | 3.236        |
| Cash and cash equivalents           | 15   | 9.808              | 85.048       |
| <b>Total current assets</b>         |      | <u>3.958.385</u>   | 2.245.506    |
| <b>Total assets</b>                 |      | <u>3.961.634</u>   | 2.251.986    |
| <b>EQUITY AND LIABILITIES</b>       |      |                    |              |
| <b>Equity and Reserves</b>          |      |                    |              |
| Share capital                       | 16   | 478.508            | 478.508      |
| Accumulated losses                  |      | <u>(5.117.915)</u> | (5.059.313)  |
| <b>Total equity</b>                 |      | <u>(4.639.407)</u> | (4.580.805)  |
| <b>Non-current liabilities</b>      |      |                    |              |
| Borrowings                          | 17   | <u>1.776.303</u>   | 1.874.355    |
| <b>Current liabilities</b>          |      |                    |              |
| Trade and other payables            | 18   | 6.697.622          | 4.811.743    |
| Deferred income                     | 19   | -                  | 25.000       |
| Borrowings                          | 17   | 125.740            | 119.699      |
| Current tax liabilities             | 20   | 1.376              | 1.994        |
| <b>Total liabilities</b>            |      | <u>8.601.041</u>   | 6.832.791    |
| <b>Total equity and liabilities</b> |      | <u>3.961.634</u>   | 2.251.986    |

On 19 June 2015, the Board of Directors of Metco (Middle East Tobacco Co.) Limited authorised these financial statements for issue.

Alexandros Iliadis  
Director

Edwin Antoine Kotran  
Director

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

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

|  | Share capital<br>US\$ | Accumulated<br>losses<br>US\$ | Total<br>US\$      |
|--|-----------------------|-------------------------------|--------------------|
| <b>At 1 January 2013</b>                   | 478.508               | (4.951.480)                   | (4.472.972)        |
| <b>Comprehensive income</b>                |                       |                               |                    |
| Total comprehensive loss for the year      | -                     | (107.833)                     | (107.833)          |
| <b>At 31 December 2013/ 1 January 2014</b> | <b>478.508</b>        | <b>(5.059.313)</b>            | <b>(4.580.805)</b> |
| <b>Comprehensive income</b>                |                       |                               |                    |
| Total comprehensive loss for the year      | -                     | (58.602)                      | (58.602)           |
| <b>At 31 December 2014</b>                 | <b>478.508</b>        | <b>(5.117.915)</b>            | <b>(4.639.407)</b> |

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

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

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## CASH FLOW STATEMENT

Year ended 31 December 2014

|  | Note | 2014<br>US\$     | 2013<br>US\$ |
|--|------|------------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                      |      |                  |              |
| Loss before tax  |      | (57.226)         | (105.839)    |
| Adjustments for:   |      |                  |              |
| Depreciation of property, plant and equipment                    | 12   | 3.231            | 3.231        |
| Interest expense   | 10   | 74.096           | 116.590      |
| <b>Cash flows from operations before working capital changes</b> |      | <b>20.101</b>    | 13.982       |
| <b>Changes in working capital:</b>                               |      |                  |              |
| Change in inventories  |      | 125.021          | 673.941      |
| Change in trade and other receivables                            |      | (1.913.098)      | 1.248.354    |
| Change in trade and other payables                               |      | 1.885.879        | (1.509.510)  |
| Change in deferred income  |      | (25.000)         | 25.000       |
| <b>Cash flows from operations</b>                                |      | <b>92.903</b>    | 451.767      |
| Tax paid   |      | (2.036)          | (1.839)      |
| <b>Net cash flows from operating activities</b>                  |      | <b>90.867</b>    | 449.928      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |      |                  |              |
| Repayments of borrowings   |      | (98.052)         | (85.934)     |
| Interest paid  |      | (74.096)         | (116.590)    |
| <b>Net cash flows used in financing activities</b>               |      | <b>(172.148)</b> | (202.524)    |
| <b>Net (decrease) /increase in cash and cash equivalents</b>     |      | <b>(81.281)</b>  | 247.404      |
| Cash and cash equivalents:                                       |      |                  |              |
| At beginning of the year   |      | (34.651)         | (282.055)    |
| <b>At end of the year</b>  | 15   | <b>(115.932)</b> | (34.651)     |

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

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 1. Incorporation and principal activities

#### Country of incorporation

Metco (Middle East Tobacco Co.) Limited (the "Company") was incorporated in Cyprus on 12 May 1999 as an international business Company with limited liability under the Cyprus Companies Law, Cap. 113. Its registered office is at 1, Dositheos Street, Karantokis Building, 4th floor, 1071, Nicosia, Cyprus.

#### Principal activity

The principal activity of the Company, which is unchanged from last year, is the trading in tobacco and tobacco related products.

### 2. Accounting policies

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

#### Going concern basis

The Company incurred a loss of US\$58.602 for the year ended 31 December 2014, and, as at that date its current liabilities exceeded its current assets by US\$2.866.353. The Company is dependent upon the continuing financial support of its shareholder without which there would be significant doubt about its ability to continue as a going concern as well as its ability to realise its assets and discharge its liabilities in the ordinary course of business. The shareholder has indicated her intention to continue providing such financial assistance to the Company to enable it to continue as a going concern and to meet its obligations as they fall due.

#### Basis of preparation

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

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

#### Functional and presentation currency

The financial statements are presented in United States Dollars (US\$) which is the functional currency of the Company.

#### Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2014. This adoption did not have a material effect on the accounting policies of the Company.

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

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 2. Accounting policies (continued)

#### Revenue recognition

Revenues of the Company are recognized on the following basis:

- **Sale of goods**

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

#### Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

#### Debtors and provisions for bad debts

Bad debts are written off to profit or loss and a specific provision is made, where it is considered necessary. No general provision for bad debts is made. Trade debtors are stated after deducting the specific provision for bad and doubtful debts, if any.

#### Finance income

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

#### Finance costs

Interest expense and other borrowing costs are charged to the statement of profit or loss and other comprehensive income as incurred.

#### Foreign currency translation

**(1) Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in United States Dollars (US\$), which is the Company's functional and presentation currency.

**(2) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of profit or loss and other comprehensive income.

#### Tax

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

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 2. Accounting policies (continued)

#### Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

|  |    |
|--|----|
| Plant and machinery                      | %  |
| Motor vehicles                           | 10 |
| Furniture, fixtures and office equipment | 20 |
| Office equipment                         | 10 |
|  | 20 |

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of profit or loss and other comprehensive income.

#### Deferred income

Deferred income represents income receipts which relate to future periods.

#### Trade receivables

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

#### Cash and cash equivalents

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

#### Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated 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.

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 2. Accounting policies (continued)

#### Financial instruments (continued)

##### Trade payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost.

##### Impairment of assets

Assets that have an indefinite useful life 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).

##### Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

##### Share capital

Ordinary shares are classified as equity.

##### Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

### 3. Financial risk management

#### Financial risk factors

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

#### 3.1 Financial instruments by category

Financial instruments are classified as follows:

##### 31 December 2014

|   | Loans and<br>receivables<br>US\$ | Total<br>US\$    |
|---|----------------------------------|------------------|
| <b>Assets as per statement of financial position:</b> |                                  |                  |
| Trade receivables                                     | 3,885,668                        | 3,885,668        |
| Cash and cash equivalents                             | 9,807                            | 9,807            |
| Other receivables (excluding prepayments)             | 2,053                            | 2,053            |
| <b>Total</b>  | <b>3,897,528</b>                 | <b>3,897,528</b> |



# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 3. Financial risk management (continued)

#### 3.1 Financial instruments by category (continued)

|  | Borrowings and<br>other financial<br>liabilities<br>US\$ | Total<br>US\$    |
|--|--|------------------|
| <b>Liabilities as per statement of financial position:</b> |  |                  |
| Borrowings   | 1,902,043  | 1,902,043        |
| Trade and other payables (excluding accruals)              | 6,687,174  | 6,687,174        |
| <b>Total</b>   | <b>8,589,217</b>   | <b>8,589,217</b> |
| 31 December 2013   |  |                  |
|  | Loans and<br>receivables<br>US\$                         | Total<br>US\$    |
| <b>Assets as per statement of financial position:</b>      |  |                  |
| Trade receivables  | 1,968,405  | 1,968,405        |
| Cash and cash equivalents                                  | 85,048   | 85,048           |
| Other receivables (excluding prepayments)                  | 2,053  | 2,053            |
| <b>Total</b>   | <b>2,055,506</b>   | <b>2,055,506</b> |
|  | Borrowings and<br>other financial<br>liabilities<br>US\$ | Total<br>US\$    |
| <b>Liabilities as per statement of financial position:</b> |  |                  |
| Borrowings   | 1,994,054  | 1,994,054        |
| Trade and other payables (excluding accruals)              | 4,806,227  | 4,806,227        |
| <b>Total</b>   | <b>6,800,281</b>   | <b>6,800,281</b> |

#### 3.2 Interest rate risk

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

#### 3.3 Credit risk

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

The table below shows an analysis of the Company's bank overdrafts by the credit rating of the bank in which they are held:

| <u>Bank group based on credit ratings by Moody's</u> | <u>No of banks</u> | <u>2014<br/>US\$</u> | <u>2013<br/>US\$</u> |
|--|--------------------|----------------------|----------------------|
| Lower than A-  | 2                  | <u>(1,884,616)</u>   | <u>(1,909,006)</u>   |

#### 3.4 Currency risk

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



# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 3. Financial risk management (continued)

#### Fair value estimation

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

### 4. Critical accounting estimates and judgments

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

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

- **Provision for bad and doubtful debts**

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

- **Provision for obsolete and slow-moving inventory**

The Company reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on Management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

- **Income taxes**

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

### 5. Revenue

|                   | 2014              | 2013              |
|-------------------|-------------------|-------------------|
|                   | US\$              | US\$              |
| Sales of products | <u>27.821.038</u> | <u>23.012.256</u> |

### 6. Cost of sales

|           | 2014              | 2013              |
|-----------|-------------------|-------------------|
|           | US\$              | US\$              |
| Purchases | <u>26.712.557</u> | <u>21.603.681</u> |

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 7. Selling and distribution expenses

|                            | 2014           | 2013           |
|----------------------------|----------------|----------------|
|                            | US\$           | US\$           |
| Overseas travelling        | 125.180        | 83.004         |
| Commissions                | 225.744        | 405.563        |
| Inland travelling          | 110            | 2.106          |
| Bad debts written off      | -              | 118.548        |
| Legal and consultancy fees | 38.160         | 33.494         |
|                            | <u>389.194</u> | <u>642.715</u> |

### 8. Administration expenses

|   | 2014           | 2013           |
|---|----------------|----------------|
|   | US\$           | US\$           |
| Staff salaries                          | 361.915        | 341.107        |
| Rent                                    | 96.823         | 101.672        |
| Annual levy                             | 483            | 455            |
| Water supply and cleaning               | 19.741         | 22.430         |
| Insurance                               | 87.777         | 80.267         |
| Repairs and maintenance                 | 926            | 3.477          |
| Sundry expenses                         | 546            | 20.192         |
| Telephone and postage                   | 18.402         | 16.790         |
| Courier expenses                        | 2.913          | 5.077          |
| Stationery and printing                 | 5.805          | 1.398          |
| Subscriptions and contributions         | 754            | 1.146          |
| Certification and legalisation expenses | 73.872         | 45.070         |
| Auditor's remuneration                  | 4.856          | 5.516          |
| Other professional fees                 | 3.437          | 10.446         |
| Fines                                   | 1.088          | 993            |
| Travelling                              | 176            | 437            |
| Entertaining                            | 6.384          | 3.566          |
| Motor vehicle running costs             | 24.270         | 24.747         |
| Medical fees                            | 2.206          | 2.437          |
| Depreciation                            | 3.231          | 3.231          |
|   | <u>715.605</u> | <u>690.454</u> |

No non audit fees have been charged by the Company's statutory auditors.

### 9. Staff costs

|  | 2014           | 2013           |
|--|----------------|----------------|
|  | US\$           | US\$           |
| Wages and salaries                     | 345.650        | 323.892        |
| Social insurance costs and other funds | 16.265         | 17.215         |
|  | <u>361.915</u> | <u>341.107</u> |
| Average number of employees            | <u>6</u>       | <u>6</u>       |

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 10. Finance income/ (costs)

|   | 2014<br>US\$     | 2013<br>US\$     |
|---|------------------|------------------|
| Exchange profit                         | 46.334           | -                |
| <b>Finance income</b>                   | <b>46.334</b>    | <b>-</b>         |
| Net foreign exchange transaction losses | -                | (29.754)         |
| Interest expense                        | (74.096)         | (116.590)        |
| Other finance expenses                  | (33.146)         | (34.901)         |
| <b>Finance costs</b>                    | <b>(107.242)</b> | <b>(181.245)</b> |
| <b>Net finance costs</b>                | <b>(60.908)</b>  | <b>(181.245)</b> |

### 11. Tax

|                                | 2014<br>US\$ | 2013<br>US\$ |
|--------------------------------|--------------|--------------|
| Corporation tax - current year | 1.376        | 1.994        |
| <b>Charge for the year</b>     | <b>1.376</b> | <b>1.994</b> |

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

|  | 2014<br>US\$ | 2013<br>US\$ |
|--|--------------|--------------|
| Loss before tax  | (57.226)     | (105.839)    |
| Tax calculated at the applicable tax rates             | (7.153)      | (13.230)     |
| Tax effect of expenses not deductible for tax purposes | 14.222       | 15.100       |
| Tax effect of allowances and income not subject to tax | (5.818)      | (57)         |
| 10% additional charge                                  | 125          | 181          |
| <b>Tax charge</b>                                      | <b>1.376</b> | <b>1.994</b> |

The corporation tax rate is 12,5% (2012:10%).

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

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 12. Property, plant and equipment

|  | Plant and<br>machinery<br>US\$ | Motor<br>vehicles<br>US\$ | Furniture,<br>fixtures and<br>office<br>equipment<br>US\$ | Computer<br>hardware<br>US\$ | Total<br>US\$ |
|--|--------------------------------|---------------------------|---|------------------------------|---------------|
| <b>Cost</b>                                |                                |                           |   |                              |               |
| At 1 January 2013                          | 2.898                          | 15.058                    | 17.083  | 5.773                        | 40.812        |
| <b>At 31 December 2013/ 1 January 2014</b> | <b>2.898</b>                   | <b>15.058</b>             | <b>17.083</b>   | <b>5.773</b>                 | <b>40.812</b> |
| <b>At 31 December 2014</b>                 | <b>2.898</b>                   | <b>15.058</b>             | <b>17.083</b>   | <b>5.773</b>                 | <b>40.812</b> |
| <b>Depreciation</b>                        |                                |                           |   |                              |               |
| At 1 January 2013                          | 2.898                          | 6.023                     | 17.083  | 5.097                        | 31.101        |
| Charge for the year                        | -                              | 3.012                     | -   | 219                          | 3.231         |
| <b>At 31 December 2013/ 1 January 2014</b> | <b>2.898</b>                   | <b>9.035</b>              | <b>17.083</b>   | <b>5.316</b>                 | <b>34.332</b> |
| Charge for the year                        | -                              | 3.011                     | -   | 220                          | 3.231         |
| <b>At 31 December 2014</b>                 | <b>2.898</b>                   | <b>12.046</b>             | <b>17.083</b>   | <b>5.536</b>                 | <b>37.563</b> |
| <b>Net book amount</b>                     |                                |                           |   |                              |               |
| <b>At 31 December 2014</b>                 | <b>-</b>                       | <b>3.012</b>              | <b>-</b>  | <b>237</b>                   | <b>3.249</b>  |
| <b>At 31 December 2013</b>                 | <b>-</b>                       | <b>6.023</b>              | <b>-</b>  | <b>457</b>                   | <b>6.480</b>  |

### 13. Inventories

|                   | 2014<br>US\$  | 2013<br>US\$ |
|-------------------|---------------|--------------|
| Finished products | <b>30.343</b> | 155.364      |

The cost of inventories recognised as expense and included in "cost of goods sold" amounted to US\$26.712.557 (2013: US\$21.603.681).

Inventories are stated at cost.

### 14. Trade and other receivables

|  | 2014<br>US\$     | 2013<br>US\$ |
|--|------------------|--------------|
| Trade receivables                            | <b>3.885.668</b> | 1.968.405    |
| Receivables from related companies (Note 21) | <b>18.508</b>    | 18.508       |
| Deposits and prepayments                     | <b>1.854</b>     | 1.854        |
| Other receivables                            | <b>2.053</b>     | 2.053        |
| Refundable VAT                               | <b>6.873</b>     | 11.038       |
|  | <b>3.914.956</b> | 2.001.858    |

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

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

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 15. Cash and cash equivalents

|              | 2014<br>US\$ | 2013<br>US\$  |
|--------------|--------------|---------------|
| Cash at bank | 9.787        | 85.048        |
| Cash in hand | 21           | -             |
|              | <u>9.808</u> | <u>85.048</u> |

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

|                           | 2014<br>US\$     | 2013<br>US\$    |
|---------------------------|------------------|-----------------|
| Cash at bank and in hand  | 9.808            | 85.048          |
| Bank overdrafts (Note 17) | (125.740)        | (119.699)       |
|                           | <u>(115.932)</u> | <u>(34.651)</u> |

### Securities and Guarantees

The Company has a personal guarantee of Mr. Edwin Kotran for the amount of US\$2.650.000 plus interest. In addition a life insurance on the life of Mr. Edwin Kotran for US\$2.000.000 contracted with "Royal London House" is set as security.

A bank guarantee of US\$793 has been pledged by Societe Generale Bank regarding an employee of the Company. The bank guarantee expires on 30 June 2016.

### 16. Share capital

|                                  | 2014<br>Number of<br>shares | 2014<br>EURO   | 2013<br>Number of<br>shares | 2013<br>EURO   |
|----------------------------------|-----------------------------|----------------|-----------------------------|----------------|
| <b>Authorised</b>                |                             |                |                             |                |
| Ordinary shares of EURO1,71 each | <u>210.000</u>              | <u>358.806</u> | <u>210.000</u>              | <u>358.806</u> |
|                                  |                             | US\$           |                             | US\$           |
| <b>Issued and fully paid</b>     |                             |                |                             |                |
| At 1 January                     | <u>210.000</u>              | <u>478.508</u> | <u>210.000</u>              | <u>478.508</u> |
| At 31 December                   | <u>210.000</u>              | <u>478.508</u> | <u>210.000</u>              | <u>478.508</u> |

### 17. Borrowings

|                               | 2014<br>US\$     | 2013<br>US\$     |
|-------------------------------|------------------|------------------|
| <b>Current borrowings</b>     |                  |                  |
| Bank overdrafts (Note 15)     | 125.740          | 119.699          |
| <b>Non current borrowings</b> |                  |                  |
| Bank loans                    | <u>1.776.303</u> | <u>1.874.355</u> |
| <b>Total</b>                  | <u>1.902.043</u> | <u>1.994.054</u> |

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 17. Borrowings (continued)

Maturity of non-current borrowings:

|                            | 2014             | 2013             |
|----------------------------|------------------|------------------|
|                            | US\$             | US\$             |
| Between one to two years   | 104.000          | 104.000          |
| Between two and five years | 128.014          | 226.066          |
| After five years           | 1.544.289        | 1.544.289        |
|                            | <u>1.776.303</u> | <u>1.874.355</u> |

Bank loans consist of loans which bear a fluctuating interest rate which shall be comprised of the base interest rate of the lending bank or the Euribor or the Libor 3-months plus 3,00% margin and are repayable on 15 December 2019.

### Securities and Guarantees

The Company has a personal guarantee of Mr. Edwin Kotran for the amount of US\$2.650.000 plus interest. In addition a life insurance on the life of Mr. Edwin Kotran for US\$2.000.000 contracted with "Royal London House 360" is set as security.

A bank guarantee of US\$793 has been pledged by Societe Generale Bank regarding an employee of the Company. The bank guarantee expires on 30 June 2016.

### 18. Trade and other payables

|                | 2014             | 2013             |
|----------------|------------------|------------------|
|                | US\$             | US\$             |
| Trade payables | 6.523.966        | 4.712.715        |
| Accruals       | 10.449           | 5.516            |
| Other payables | 163.207          | 93.512           |
|                | <u>6.697.622</u> | <u>4.811.743</u> |

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

### 19. Deferred income

|                 | 2014 | 2013   |
|-----------------|------|--------|
|                 | US\$ | US\$   |
| Deferred income | -    | 25.000 |

### 20. (Refundable taxes) / current tax liabilities

|                            | 2014           | 2013           |
|----------------------------|----------------|----------------|
|                            | US\$           | US\$           |
| Corporation tax refundable | <u>(3.278)</u> | <u>(3.236)</u> |

|                 | 2014         | 2013         |
|-----------------|--------------|--------------|
|                 | US\$         | US\$         |
| Corporation tax | <u>1.376</u> | <u>1.994</u> |

# METCO (MIDDLE EAST TOBACCO CO.) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

### 21. Related party transactions

The following transactions were carried out with related party:

#### 21.1 Receivables from related parties (Note 14)

| <u>Name</u>   | <u>Nature of transactions</u> | <b>2014</b>   | 2013   |
|---------------|-------------------------------|---------------|--------|
|               |                               | <b>US\$</b>   | US\$   |
| Related party | Finance                       | <b>18.508</b> | 18.508 |

### 22. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2014.

### 23. Commitments

The Company had no capital or other commitments as at 31 December 2014.

### 24. Events after the reporting period

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

Independent auditor's report on pages 3 and 4

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