

Grant Thornton

Financial Statements and Independent Auditors' Report

Prishtina International Airport J.S.C.

31 December 2009

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Grant Thornton

Independent Auditors' Report

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To the Management and Shareholders of
Prishtina International Airport J.S.C.

We have audited the accompanying financial statements of Prishtina International Airport J.S.C. ("the Company"), which comprise of the Statement of financial position as of 31 December 2009, and the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, included on pages 3 to 28.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Except as disclosed in the "Basis for qualified opinion" paragraph, 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 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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, 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.

Basis for qualified opinion

As it is disclosed in note 5 to the accompanying financial statements, at 31 December 2009, the net carrying value of Company's property, plant and equipment amounts to Euro 40,557 thousands. According to the accepted accounting policy disclosed further in Note 2 to the financial statements, items of property, plant and equipment existing on 01 January 2005 – the date of Company's incorporation and opening balance sheet date, were recognized in the Company's accounts at their revalued amounts determined by independent external valuers. The accepted revaluation model requires revaluations to be made with sufficient regularity to ensure that the carrying amounts of revalued assets do not differ materially from that which would be determined using fair value at the end of the reporting period. Owing to the nature of the Company's records, we were not able to satisfy ourselves with the management assessments of the fair values of Company's property, plant and equipment as of 31 December 2009.

In addition, the accepted accounting policy regarding the impairment of non – financial assets requires at each balance sheet date items of property, plant and equipment to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We were not provided with any evidence that such impairment test has been performed as of the balance sheet date.

Due to the matters disclosed above, we were not able to obtain reasonable assurance for the carrying amount of Company's property, plant and equipment as of 31 December 2009.

Qualified opinion

In our opinion, except for the matters discussed in the preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2009 and its financial performance, changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Grant Thornton,

GRANT THORNTON
Prishtina,
11 June 2010

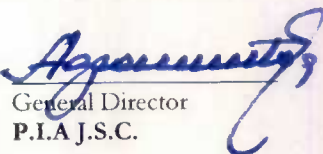
Financial Statements
31 December 2009

Statement of financial position

| | Notes | (In '000 Euro) At 31 December | |
|-------------------------------------|-------|----------------------------------|---------------|
| | | 2009 | 2008 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5 | 40,557 | 36,135 |
| Intangible assets | 6 | 233 | 213 |
| | | 40,790 | 36,348 |
| Current assets | | | |
| Inventories | 7 | 466 | 706 |
| Trade and other receivables | 9 | 4,932 | 4,456 |
| Cash and cash equivalents | 10 | 8,871 | 10,523 |
| | | 14,269 | 15,685 |
| Total assets | | 55,059 | 52,033 |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 11 | 18,000 | 18,000 |
| Share premium | | 13,706 | 13,706 |
| Accumulated profit | | 20,709 | 10,528 |
| | | 52,415 | 42,234 |
| Non-current liabilities | | | |
| Borrowings | 12 | - | 4,602 |
| Deferred tax liabilities | 17 | 105 | - |
| | | 105 | 4,602 |
| Current liabilities | | | |
| Borrowings | 12 | - | 1,196 |
| Trade and other payables | 13 | 2,539 | 4,001 |
| | | 2,539 | 5,197 |
| Total liabilities | | 2,644 | 9,799 |
| Total equity and liabilities | | 55,059 | 52,033 |

These financial statements have been approved by the Board of Director on 10 June 2010 and signed on its behalf by,

Mr. Agron Mustafa,


General Director
P.I.A J.S.C.

Mr. Bahri Nuredini


Finance Manager
P.I.A J.S.C.

See accompanying notes to the financial statements

Statement of comprehensive income

| | | (In '000 Euro) | |
|--|-------|------------------------|---------------|
| | | Year ended 31 December | |
| | Notes | 2009 | 2008 |
| Operating revenue | | | |
| Passenger fees | | 10,688 | 10,218 |
| Handling fees | | 7,100 | 6,162 |
| Landing fees | | 3,974 | 3,518 |
| Military traffic | | 640 | 753 |
| Other operating income | 14 | 6,158 | 2,746 |
| | | 28,560 | 23,397 |
| Operating costs | | | |
| Operating costs | 15 | (17,275) | (14,811) |
| Operating profit | | 11,285 | 8,586 |
| Financial income | | | |
| Financial income | 16 | 429 | 228 |
| Finance costs | | | |
| Finance costs | 16 | (351) | (424) |
| Financial result, net | | 78 | (196) |
| Profit before income tax | | 11,363 | 8,390 |
| Income tax expense | 17 | (1,130) | (1,713) |
| Net profit for the year | | 10,233 | 6,677 |
| Other comprehensive income | | | |
| Other comprehensive income | | - | - |
| Total comprehensive income | | 10,233 | 6,677 |
| Net profit attributed to holders of ordinary shares | | 10,233 | 6,677 |
| Total comprehensive income attributed to holders of ordinary shares | | 10,233 | 6,677 |
| Earnings per share | | | |
| Basic earnings per share (in Euro) | 18 | 0.57 | 0.37 |

See accompanying notes to the financial statements

Statement of changes in equity

| | Share capital | Share premium | Retained earnings | (In '000 EUR) Total |
|-----------------------------------|---------------|---------------|-------------------|------------------------|
| At 01 January 2009 | 18,000 | 13,706 | 10,528 | 42,234 |
| <i>Transactions with owners</i> | - | - | - | - |
| Correction | - | - | (52) | (52) |
| Profit for the year | - | - | 10,233 | 10,233 |
| Other comprehensive income | - | - | - | - |
| <i>Total comprehensive income</i> | - | - | 10,181 | 10,181 |
| At 31 December 2009 | 18,000 | 13,706 | 20,709 | 52,415 |
| At 01 January 2008 | 18,000 | 13,706 | 3,851 | 35,557 |
| <i>Transactions with owners</i> | - | - | - | - |
| Profit for the year | - | - | 6,677 | 6,677 |
| Other comprehensive income | - | - | - | - |
| <i>Total comprehensive income</i> | - | - | 6,677 | 6,677 |
| At 31 December 2008 | 18,000 | 13,706 | 10,528 | 42,234 |

See accompanying notes to the financial statements

Statement of cash flows

| | Notes | (In '000EUR) | |
|--|-----------|--------------------------------|----------------|
| | | Year ended 31 December 2009 | 2008 |
| Operating activities | | | |
| Net profit before income tax | | 11,363 | 8,390 |
| Adjustments for: | | | |
| Provision for doubtful receivables | | 193 | 121 |
| Interest (income) / expenses, net | | (78) | 196 |
| Depreciation and amortization | | 3,409 | 2,403 |
| <i>Operating profit before working capital changes</i> | | <i>14,887</i> | <i>11,110</i> |
| <i>Changes in operating assets</i> | | | |
| Changes in inventories | | 240 | (99) |
| Changes in trade and other receivables | | (471) | (1,593) |
| Changes in trade and other payables | | (1,651) | 1,090 |
| | | 13,005 | 10,508 |
| Interest received / (paid), net | | 78 | (196) |
| Income taxes paid | | (1,086) | (2,220) |
| | | 11,997 | 8,092 |
| Investment activities | | | |
| Purchase of property, plant and equipment | | (7,774) | (6,936) |
| Purchase of intangible assets | | (77) | (17) |
| | | (7,851) | (6,953) |
| Financial activities | | | |
| Proceeds from loans | | - | 3,436 |
| Loan repaid | | (5,798) | - |
| | | (5,798) | 3,436 |
| Net change in cash and cash equivalents | | (1,652) | 4,575 |
| Cash and cash equivalents at beginning | 10 | 10,523 | 5,948 |
| Cash and cash equivalents at end | 10 | 8,871 | 10,523 |

See accompanying notes to the financial statements

Notes to the financial statements

1 General

Prishtina Airport (Public Enterprise) was transformed into a Joint Stock Company (J.S.C.) under United Nations Interim Administration Mission in Kosovo ("UNMIK") regulation No. 2001/6 and its name was changed to Prishtina International Airport Holding J.S.C. (further referred as to "the Company") on 23 June 2005 and with effect from 01 January 2005. A wholly owned subsidiary, Prishtina International Airport J.S.C. (the "Subsidiary") was established on the same date.

On 13 June 2008, the Assembly of the Republic of Kosovo adopted the Law on Publicly Owned Enterprises (Law No.03/L-087), and based on provision of section 3 of this Law, central publicly owned enterprises, including PIA Holdings J.S.C., are owned by the Republic of Kosovo. Government of the Republic of Kosovo, through the Ministry of Economy and Finance, has the exclusive authority to exercise the shareholder's rights over the publicly owned enterprises.

The charter capital of the Holding Company amounts to Euro 18 million divided into 18 million ordinary shares with face value of Euro 1 which was issued to Kosovo Trust Agency (KTA), as trustee for UNMIK in accordance with UNMIK regulation No 2002/12 as amended by UNMIK regulation No 2005/18 on the establishment of KTA.

The initial charter capital of the Subsidiary amounts to Euro 25 thousand and is fully contributed in kind by the Holding Company through a resolution dated 28 June 2005. On the same date the capital was increased to Euro 18 million in exchange for the transfer of the trade, contracts, all assets and liabilities effective from 01 January 2005 through the declaration of subscription and agreement for Prishtina International Airport J.S.C. and the execution of a deed of transfer of real property dated 30 June 2005.

On 30 September 2009, the Ministry of Economy decided all Holding Enterprises to be transformed in Public Company J.S.C. and further the Holding Companies to terminate. The Company changed its business registration file regarding to the ownership at 23 December 2009.

As at 01 January 2005 the current assets were valued at fair value and non-current assets at depreciated cost less impairment to form the opening net assets of the Group (the Holding Company and the Subsidiary).

Notes to the financial statements (continued)
General (continued)

Since November 1999 UNMIK has overall financial and strategic management of Prishtina Airport. With the establishment of the KTA in the mid of 2002, it took over responsibility for the administration of the airport. All operation on the airfield and airspace had been run by KFOR (Kosovo Force, a NATO – led international force responsible for establishing and maintaining security in Kosovo).

A handover to civil UNMIK authority occurred on 01 April 2004. In addition, at that time it was determined that KFOR should be charged for landing and handling military flights. These services were not chargeable previously.

In accordance with the agreement between UNMIK and Government of the Republic of Iceland acting through Civil Aviation Administration (ICAA), signed on 01 April 2004 the latter is responsible to ensure, in cooperation with Civil Aviation Regulatory Office for Kosovo ("CARO") established by UNMIK, that Prishtina International Airport J.S.C. is in compliance with relevant ICAO (International Civil Aviation Organization) standards and recommended practices.

At the date of this report the Company has 789 employees (2008: 637 employees).

2 Accounting policies

The principal accounting policies adopted in preparation of these financial statements are set out below:

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement basis are more fully described in the accounting policies below.

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

The financial statements have been prepared as of and for the years ended 31 December 2009 and 2008. Current and comparative data stated in these financial statements are expressed in thousand Euros. Where necessary, comparative figures have been reconciled to conform with changes in presentation for the year.

2.2 Standards and Interpretations effective in 2009**(a) Standards, amendments and interpretations effective in 2009:****■ Amendments to IFRS 7, 'Financial instruments: Disclosures' (effective 1 January 2009)**

The amendments require additional disclosures for financial instruments that are measured at fair value in the statement of financial position. These fair value measurements are categorized into a three-level fair value hierarchy, which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these are essential for an understanding of the timing of cash flows. The Company has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

■ IFRS 8, 'Operating segments' (effective 1 January 2009)

IFRS 8 was issued in November 2006 and excluding early adoption would first be required to be applied to the Group's accounting period beginning on 1 January 2009. The standard replaces IAS 14, 'Segment reporting', with its requirement to determine primary and secondary reporting segments. The application of IFRS 8 does not have any material effect for the Company but has an impact on segment disclosure and on the measurement bases within segments.

■ IAS 1 (revised), 'Presentation of financial statements' (effective 1 January 2009)

A revised version of IAS 1 was issued in September 2007. It prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Company presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also conforms with the revised standard. According to the amendment of IAS 1 in January 2008, each component of equity, including each item of other comprehensive income, should be reconciled between carrying amount at the beginning and the end of the period. Since the change in accounting policy only impacts presentation aspects, there is no impact on retained earnings.

■ IFRS 2, 'Share-based payment' – Vesting conditions and cancellations (effective 1 January 2009)

The IASB published an amendment to IFRS 2, 'Share-based payment', in January 2008. The changes pertain mainly to the definition of vesting conditions and the regulations for the cancellation of a plan by a party other than the Company. These changes clarify that vesting conditions are solely service and performance conditions. As a result of the amended definition of vesting conditions, non-vesting conditions should now be considered when estimating the fair value of the equity instrument donated. In addition, the standard describes the posting type if the vesting conditions and non-vesting conditions are not fulfilled. There is no material impact on the financial statements by applying the amendment of IFRS 2 at the date of the Company's statement of financial position.

Notes to the financial statements (continued)
Accounting policies (continued)

- **IAS 23, 'Borrowing costs' (effective 1 January 2009)**
The revised standard requires the capitalisation of borrowing costs, to the extent they are directly attributable to the acquisition, production or construction of qualifying assets that need a substantial period of time to get ready for their intended use or sale. The application of the IAS 23 amendment does not have a material impact on the result or items of the statement of financial position.
- **IFRIC 13, 'Customer loyalty programmes'**
IFRIC 13 Customer Loyalty Programmes clarifies that when goods or services are sold together with a customer loyalty incentive (for example, loyalty points or the right to free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Company's operations.

2.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2009 or later periods, but the Company has not adopted them early.

- **IFRS 3, 'Business combinations' (Revised 2008) (effective from 1 July 2009)**
The standard is applicable for business combinations occurring in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard introduces changes to the accounting requirements for business combinations, but still requires use of the purchase method, and will have a significant effect on business combinations occurring in future reporting periods.
- **IAS 27, 'Consolidated and separate financial statements' (Revised 2008) (effective from 1 July 2009)**
The revised standard introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Company's interest in subsidiaries. These changes will be applied prospectively in accordance with the transitional provisions and so do not have an immediate effect on the Company's financial statements.
- **Annual improvements to IFRS (2009) (effective from 1 July 2009 and later)**
The IASB has issued *Improvements for International Financial Reporting Standards 2009*. Most of these amendments become effective in annual periods beginning on or after 1 July 2009 or 1 January 2010. Preliminary assessments indicate that the effect on the Company's financial statements will not be significant.
- **IFRS 9, 'Financial instruments part 1: Classification and measurement' (effective from 1 January 2013)**
The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning 1 January 2013. IFRS 9 is the first part of Phase 1 of this project. Management has yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, they do not expect to implement the amendments until all chapters of the IAS 39 replacement have been published and they can comprehensively assess the impact of all changes.

Notes to the financial statements (continued)
Accounting policies (continued)

2.4 Foreign exchange translation

Transactions in foreign currencies are recorded in accordance with the valid exchange rate as of the date of the transaction. The differences are recorded in the income statement as gains/losses.

| | | |
|-------|------------------|------------------|
| | 31 December 2009 | 31 December 2008 |
| 1 USD | 1.433 Euro | 1.392 Euro |

2.5 Property, plant and equipment

Property, plant and equipment existing as at 01 January 2005 are stated at deemed cost less accumulated depreciation and impairment, if any, whereas items of property, plant and equipment purchased subsequent to 01 January 2005 are stated at cost less accumulated depreciation and impairment, if any. Deemed cost represents revalued cost of items of property, plant and equipment determined based on the valuation performed by independent authorized appraisers at 01 January 2005 - the date of Company's incorporation as a joint stock company (JSC)

Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is carried at deemed cost and is not depreciated.

Depreciation is charged on a straight-line basis at prescribed rates in order to allocate the revalued cost of property, plant and equipment over their useful lives. In determining the depreciated replacement cost as at 01 January 2005 each asset was assigned a remaining useful life and is being depreciated over the revised estimated life.

The following are approximations of the annual depreciation rates applied to significant items of property, plant and equipment acquired after January 2005:

| | |
|-------------------------|--------|
| Land improvements | 5-25% |
| Buildings | 5% |
| Machinery and equipment | 15-25% |
| Apartments | 5% |
| Leasehold improvements | 5-25% |

Assets in construction were brought into the opening balance sheet at 01 January 2005 at cost less impairment and are to be depreciated from the time the assets are completed or ready to use.

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Notes to the financial statements (continued)
Accounting policies (continued)

2.6 Leasehold improvements

The Company does not hold legal title to certain major assets, such as the runways, taxiways and aprons. The Company has invested significant amounts in the maintenance of these facilities and plans to invest significant amounts in the future. The expenditure to date is classified as leasehold improvements and is stated at depreciated replacement cost remaining useful life assigned at 01 January 2005. The leasehold improvements subsequent to this date are being depreciated at 5-25% on a straight line basis.

2.7 Intangible assets

Intangible assets, which comprise of software licenses, are stated at depreciated replacement cost less impairment. These costs are amortized on a straight-line basis over their estimated remaining useful lives. The annual amortization rates used for intangible acquired after 01 January 2005 are between 11% to 20%.

2.8 Impairment of non-financial assets

Property, plant and equipment, as well as intangibles, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

2.9 Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables and available for sale financial assets. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category of financial assets consists of securities held for trading. A financial asset is classified as available for sale if it is acquired or incurred principally for the purpose of generating profit through short-term fluctuations in the price or if it is included in the portfolio for which a short term actual form of profit gain exists.

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money or services directly to a debtor with no intention of trading the receivable.

Notes to the financial statements (continued)
Accounting policies (continued)

Financial assets (continued)

Held – to – maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Were the Company to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

Initial recognition of the financial assets

Financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. All financial assets different from the financial assets carried at fair value through profit and loss are initially recognized at fair value plus transaction costs. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expired.

Subsequent recognition of the financial assets

Financial assets at fair value through profit or loss are subsequently carried at fair value based on their market price. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity should be recognized in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement. Dividends on available-for-sale equity instruments are recognized in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques commonly used by market participants.

2.10 Inventory

Material, spare parts and consumables are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business, less applicable variable selling expenses. Cost of supplies and spare parts are determined using the first-in, first-out (FIFO) method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Notes to the financial statements (continued)
Accounting policies (continued)

2.11 Trade and other receivables

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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Assets with a short maturity are not discounted. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Income statement. 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 recognized as current income in the income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits with banks. For cash flow statement, cash and cash equivalents comprise cash on hand and unrestricted deposits at banks with maturity period of three months or less.

2.13 Equity, reserves and retained earnings

(a) Shareholders' capital

Share capital represents the nominal value of shares that have been issued.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(c) Treasury shares

Where the Company purchases equity share capital, the consideration paid is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(d) Reserves

Reserves, which comprise of revaluation, statutory and reserves for treasury shares are generated throughout the period, based on gains/losses from revaluing tangible assets and available for sale financial assets in the case of revaluated reserves, as well as distributing accumulated gains based on legal regulation and decisions by the Company's management and shareholders.

(e) Retained earnings

Retained earnings comprise of non-distributed earnings from the current and past periods.

2.14 Trade payables

Trade payables are carried at their fair value and subsequently measured at their amortized cost by applying the effective interest rate method.