

PEARL ISLAND HOLDINGS LIMITED

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2018

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Consolidated Balance Sheet

| | Note | Group | |
|--|------|----------------------|----------------------|
| | | 2018 € | 2017 € |
| Assets | | | |
| Non-current assets | | | |
| Investment property | 8 | 93.657 | 88.174 |
| Property, plant and equipment | | 10 | 29 |
| | | <u>93.667</u> | <u>88.203</u> |
| Current assets | | | |
| Trade and other receivables | 10 | 952 | 631 |
| Cash and cash equivalents | 12 | 890 | 4.313 |
| | | <u>1.842</u> | <u>4.944</u> |
| Total assets | | <u><u>95.509</u></u> | <u><u>93.147</u></u> |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 13 | 4 | 4 |
| Share premium | 13 | 26.998 | 26.998 |
| Capital contributions | 13 | 5.000 | 5.000 |
| Currency translation reserve | | (333) | (2.865) |
| Retained earnings | | 25.391 | 26.636 |
| Equity attributable to owners of the entity | | <u>57.059</u> | <u>55.773</u> |
| Non-controlling interest | | 34.744 | 33.921 |
| Total equity | | <u>91.803</u> | <u>89.694</u> |
| Non-current liabilities | | | |
| Deferred income | | 186 | 264 |
| | | <u>186</u> | <u>264</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 1.253 | 1.027 |
| Current tax liabilities | | 1 | 1 |
| Borrowings | 15 | 2.265 | 2.161 |
| | | <u>3.519</u> | <u>3.189</u> |
| Total liabilities | | <u>3.706</u> | <u>3.453</u> |
| Total equity and liabilities | | <u><u>95.509</u></u> | <u><u>93.147</u></u> |

On 24 July 2019 the Board of Directors of Pearl Island Holdings Limited authorised these financial statements for issue.


.....
Panagiotis Aristeidis Varfis, Director


.....
Charalambos Anastaselos, Director


The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Separate Balance Sheet

| | Note | Company | |
|-------------------------------------|------|----------------------|----------------------|
| | | 2018 € | 2017 € |
| Assets | | | |
| Non-current assets | | | |
| Investment in subsidiaries | 9 | 27.000 | 27.000 |
| | | <u>27.000</u> | <u>27.000</u> |
| Current assets | | | |
| Trade and other receivables | 10 | 4.141 | - |
| Loans receivable | 11 | - | 4.015 |
| Cash and cash equivalents | 12 | 863 | 896 |
| | | <u>5.004</u> | <u>4.911</u> |
| Total assets | | <u><u>32.004</u></u> | <u><u>31.911</u></u> |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 13 | 4 | 4 |
| Share premium | 13 | 26.998 | 26.998 |
| Capital contributions | 13 | 5.000 | 5.000 |
| Accumulated losses | | (23) | (111) |
| Total equity | | <u>31.979</u> | <u>31.891</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 25 | 20 |
| Total liabilities | | <u>25</u> | <u>20</u> |
| Total equity and liabilities | | <u><u>32.004</u></u> | <u><u>31.911</u></u> |

On 24 July 2019 the Board of Directors of Pearl Island Holdings Limited authorised these financial statements for issue.


.....
Panagiotis Aristeidis Varfis, Director


.....
Charalampos Anastaselos, Director

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Consolidated Income Statement for the year ended December 31 2018

| | | <u>Group</u> | |
|---|------|-------------------|---|
| | Note | 2018 € | Period from 15 December 2016 to 31 December 2017 € |
| Revenue | | | |
| Income from service charges | 7 | 1.468 | 1.575 |
| | | <u> </u> | <u> </u> |
| Fair value gain on investment property | 8 | 29 | 45.706 |
| Direct property relating expenses | 16 | (163) | (96) |
| Corporate social responsibility | | - | (15) |
| Employee benefit expense | 17 | (1.198) | (1.109) |
| Depreciation of property, plant and equipment | | (22) | (38) |
| Other administrative expenses | 16 | (2.170) | (1.511) |
| | | <u> </u> | <u> </u> |
| Operating (loss)/ profit | | (2.056) | 44.512 |
| Finance costs | | (1) | (21) |
| | | <u> </u> | <u> </u> |
| (Loss)/profit before income tax | | (2.056) | 44.491 |
| Income tax expenses | | (10) | (23) |
| | | <u> </u> | <u> </u> |
| (Loss)/profit for the year/period | | (2.066) | 44.468 |
| | | <u> </u> | <u> </u> |
| Attributable to: | | | |
| Shareholders (owners of the parent) | | (1.246) | 26.636 |
| Non-controlling interest | | (820) | 17.832 |
| | | <u> </u> | <u> </u> |
| (Loss)/profit for the year/period | | (2.066) | 44.468 |
| | | <u> </u> | <u> </u> |

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Separate Income Statement for the year ended December 31, 2018

| | <u>Company</u> | |
|---|------------------|--|
| | 2018 | Period from 15 December 2016 to 31 December 2017 |
| | € | € |
| Other administrative expenses | (36) | (34) |
| Operating loss | <u>(36)</u> | <u>(34)</u> |
| Finance income/ costs – net | 124 | (77) |
| Profit/ (loss) before income tax | <u>88</u> | <u>(111)</u> |
| Income tax | - | - |
| Profit/ (loss) for the year/period | <u><u>88</u></u> | <u><u>(111)</u></u> |

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Consolidated Statement of Comprehensive Income for the year ended December 31, 2018

| | <u>Group</u> | |
|--|----------------|--|
| | 2018 | Period from 15 December 2016 to 31 December 2017 |
| | € | € |
| (Loss)/profit for the year/period | (2.066) | 44.468 |
| Other comprehensive income/(loss): | | |
| Items that may be reclassified to the income statement | | |
| Foreign exchange differences | 2.532 | (2.866) |
| Total items that can be reclassified subsequently to the income statement | <u>2.532</u> | <u>(2.866)</u> |
| Items that may not be reclassified subsequently to the income statement | | |
| Share of foreign exchange differences attributable to non-controlling interest | 1.643 | (1.910) |
| Total items that cannot be reclassified subsequently to the income statement | <u>1.643</u> | <u>(1.910)</u> |
| Total other comprehensive income/(loss) | 4.175 | (4.776) |
| Total comprehensive income for the year/period | 2.109 | 39.692 |
| Total comprehensive income for the year/period attributable to: | | |
| -Shareholders (owners of the parent) | 1.286 | 23.771 |
| -Non-controlling interest | 823 | 15.921 |
| Total comprehensive income for the year/period | 2.109 | 39.692 |

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of the comprehensive income.

Separate Statement of Comprehensive Income for the year ended December 31, 2018

| | <u>Company</u> | |
|--|----------------|--|
| | 2018 | Period from 15 December 2016 to 31 December 2017 |
| | € | € |
| Profit/(loss) for the year/period | 88 | (111) |
| Total comprehensive income/(loss) for the year | <u>88</u> | <u>(111)</u> |
| Total comprehensive income for the year/period attributable to: | | |
| -Shareholders (owners of the parent) | 88 | (111) |
| -Non-controlling interest | - | - |
| Total comprehensive income/(loss) for the year/period | <u>88</u> | <u>(111)</u> |

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of the comprehensive income.

Pearl Island Holdings Ltd

Consolidated and Separate Financial Statements
for the period ended December 31, 2018
(All amounts expressed in €'000s unless otherwise stated)

Consolidated Statement of Changes in Shareholders' Equity for the year ended December 31, 2018

| | Note | Attributable to owners of the parent | | | | | | | Total € |
|---|------|--------------------------------------|-----------------------|-------------------------------|---|---------------------------|------------|--------------------------------------|------------|
| | | Share capital € | Share premium € | Capital contributions € | Currency translation reserve € | Retained earnings € | Total € | Non- controlling interest € | |
| Balance at December 15, 2016 | | - | - | - | - | - | - | - | - |
| Profit for the period | | - | - | - | - | 26.636 | - | 26.636 | 17.832 |
| Other comprehensive income | | - | - | - | (2.865) | - | (2.865) | (2.865) | (1.911) |
| Total comprehensive income for the period | | - | - | - | (2.865) | 26.636 | (2.865) | 23.771 | 15.921 |
| Transactions with shareholders: | | | | | | | | | |
| Capital contribution | 13 | - | - | 5.000 | - | - | - | 5.000 | - |
| Issuance of shares | 13 | 4 | 26.998 | - | - | - | - | 27.002 | - |
| Non-controlling interest on acquisition of asset | 6 | - | - | - | - | - | - | - | 18.000 |
| Balance at December 31, 2017 | | 4 | 26.998 | 5.000 | (2.865) | 26.636 | (2.865) | 55.773 | 33.921 |
| Loss for the year | | - | - | - | - | (1.246) | - | (1.246) | (820) |
| Other comprehensive income | | - | - | - | 2.532 | - | 2.532 | 2.532 | 1.643 |
| Total comprehensive income/(loss) for the year | | - | - | - | 2.532 | (1.246) | 2.532 | 1.286 | 823 |
| Balance at December 31, 2018 | | 4 | 26.998 | 5.000 | (333) | 25.391 | (333) | 57.059 | 34.744 |

Retained earnings in the separate financial statements of the Company is the only reserve that is available for distribution in the form of dividends to the Company's shareholders.

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Company Statement of Changes in Shareholders' Equity for the year ended December 31, 2018

| | Note | Share capital € | Share premium € | Capital contributions € | Retained earnings € | Total € |
|--|------|--------------------|--------------------|----------------------------|------------------------|------------|
| Balance at December 15, 2016 | | - | - | - | - | - |
| Loss for the period | | - | - | - | (111) | (111) |
| Total comprehensive loss for the period | | - | - | - | (111) | (111) |
| Transactions with shareholders: | | | | | | |
| Issuance of shares | 13 | 4 | 26.998 | - | - | 27.002 |
| Capital contribution | 13 | - | - | 5.000 | - | 5.000 |
| Balance at December 31, 2017 | | 4 | 26.998 | 5.000 | (111) | 31.891 |
| Profit for the year | | - | - | - | 88 | 88 |
| Total comprehensive income for the year | | - | - | - | 88 | 88 |
| Balance at December 31, 2018 | | 4 | 26.998 | 5.000 | (23) | 31.979 |

Retained earnings in the separate financial statements of the Company is the only reserve that is available for distribution in the form of dividends to the Company's shareholders.

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Consolidated Cash Flow Statement for the year ended December 31, 2018

| | Note | Group | |
|---|------|----------------|---|
| | | 2018 € | Period from 15 December 2016 to 31 December 2017 € |
| Cash flows from operating activities | | | |
| (Loss)/profit for the year/period | | | |
| Finance costs | | (2.056) | 44.491 |
| Fair value gain on investment property | | 1 | 21 |
| Depreciation of property, plant and equipment | 8 | (29) | (45.706) |
| Foreign exchange differences | 16 | (22) | 38 |
| | | 120 | - |
| Operating cash flows before working capital changes | | <u>(1.986)</u> | <u>(1.156)</u> |
| Changes in working capital: | | | |
| Increase in receivables | | (321) | (30) |
| Increase/(decrease) in payables | | 142 | (862) |
| Deferred income | | 6 | - |
| Cash used in operating activities | | <u>(2.159)</u> | <u>(2.047)</u> |
| Income tax paid | | (10) | (23) |
| Net used in operating activities | | <u>(2.169)</u> | <u>(2.070)</u> |
| Cash flows from investing activities | | | |
| Subsequent capital expenditure for investment property | 8 | (1.251) | (1.108) |
| Net cash used in investing activities | | <u>(1.251)</u> | <u>(1.108)</u> |
| Cash flows from financing activities | | | |
| Interest paid | | (1) | (21) |
| Capital contribution | | - | 5.000 |
| Shareholders' loan | 13 | - | 2.161 |
| Net cash (used in)/generated from financing activities | | <u>(1)</u> | <u>7.140</u> |
| Net (decrease)/ increase in cash, cash equivalents for the year/period | | <u>(3.423)</u> | <u>3.962</u> |
| Cash and cash equivalents from acquisition | | - | 11 |
| Exchange gains/(losses) on cash and cash equivalents | | - | 341 |
| Cash and cash equivalents at the beginning of the year/ period | | <u>4.313</u> | <u>-</u> |
| Cash and cash equivalents at the end of the year/period | 12 | <u>890</u> | <u>4.313</u> |

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Separate Cash Flow Statement for the year ended December 31, 2018

| | | <u>Company</u> | |
|--|------|-------------------|--|
| | | 2018 | Period from 15 December 2016 to 31 December 2017 |
| | Note | € | € |
| Cash flows from operating activities | | | |
| Profit/(loss) for the year/period | | 88 | (111) |
| Foreign exchange (gains)/losses on financing activities | | (125) | 77 |
| Operating cash flows before working capital changes | | <u>(37)</u> | <u>(34)</u> |
| Changes in working capital: | | | |
| Increase in receivables | | (126) | - |
| Increase in payables | | 5 | 22 |
| Net cash used in operating activities | | <u>(158)</u> | <u>(12)</u> |
| Cash flows from investing activities | | | |
| Loan to foreign subsidiaries | | - | (4.092) |
| Net cash used in investing activities | | <u>-</u> | <u>(4.092)</u> |
| Cash flows from financing activities | | | |
| Capital contributions | 13 | - | 5.000 |
| Net cash generated from financing activities | | <u>-</u> | <u>5.000</u> |
| Net (decrease)/increase in cash, cash equivalents for the year/period | | <u>(33)</u> | <u>896</u> |
| Cash and cash equivalents at the beginning of the year/period | | - | - |
| Cash and cash equivalents at the end of the year/period | 12 | <u><u>863</u></u> | <u><u>896</u></u> |

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

1. General Information

The present financial statements include the financial statements of the Company Pearl Island Holding Ltd. (the “Company”) as well as the consolidated financial statements of the Company and its subsidiaries (together the “Group”).

1.1 Country of Incorporation

The Company was established in December 15, 2016 under the laws of Cyprus as a limited company and is incorporated and domiciled in Cyprus. The address of its registered office is 10 Giannou Kranidioti Street, Nice Day House, Floor 6, Apartment 602, Nicosia.

These Consolidated and separate Financial Statements (hereafter the “Financial Statements”) for the year ended December 31, 2018 have been approved for issue by the Board of Directors on 24 July 2019.

The ultimate parent company is Grivalia Hospitality S.A., incorporated and domiciled in Luxembourg-City. The address of its registered office is 63-65, rue de Merl, L-2146 Luxembourg and is registered at the Luxembourg Commercial Register under number R.C.S. Luxembourg n B 198.264.

The Company and its subsidiaries are included in the consolidated financial statements prepared by its ultimate parent company which are available at its registered address.

1.2 Principal activities

The principal activity of the Company, is the holding of investments, including any interest earning activities.

The principal activity of the Group, is the development and sale of immovable property and related real estate services.

2. Basis of preparation

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

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2018 and are relevant to the Company’s operations have been adopted by the EU through the endorsement procedure established by the European Commission.

The principal accounting policies applied in the preparation of these financial statements are set out below in Note 4. Apart from the accounting policy changes resulting from the adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” (effective from 1 January 2018), these policies have been consistently applied to all the years presented, unless otherwise stated (refer to Notes 3, 4 and 21). The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in Note 21. The comparatives are stated based on the previous accounting policies of the Group for financial instruments and revenue recognition which are also presented below to the extent that these are different from the new accounting policies. The adoption of all of the above standards and amendments did not result in any material adjustment to the opening reserves or the comparative figures presented in these consolidated financial statements.

The financial statements have been prepared under the historical cost convention as modified by the valuation of investment property at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

3. Adoption of new or revised standards and interpretations

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 2018. The adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts” with customers has changed the accounting policies of the Group. The Group has elected the simplified approach for the adoption of the standards without restating the comparative information, which is accounted for based on previous accounting policies of the Group. The impact of adoption was immaterial

(i) IFRS 9 “Financial instruments”

The main impact of the adoption of IFRS 9 was the revision of the impairment methodology for each class of assets based on the new impairment requirements. From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses, which are subject to the new model of expected credit losses of IFRS 9: trade and other receivables, receivables from related parties and cash and cash equivalents. The revised requirements of IFRS 7 “Financial Instruments: Disclosures” have been applied only for the current period. Based on the assessment performed by Management on 1 January 2018, the impact of the adoption of IFRS 9 was immaterial. Furthermore, the adoption of IFRS 9 resulted in changes on the classification and accounting treatment of financial assets and liabilities in the Balance Sheet. The following table shows the classification categories based on IAS 39 and IFRS 9:

| Financial assets | IAS 39 classification | IAS 39 accounting treatment | IFRS 9 classification and accounting treatment |
|---------------------------|------------------------------|------------------------------------|---|
| Trade receivables | Loans and receivables | Amortised cost | Financial assets at amortised cost |
| Other receivables | Loans and receivables | Amortised cost | Financial assets at amortised cost |
| Cash and cash equivalents | Loans and receivables | Amortised cost | Financial assets at amortised cost |

(ii) IFRS 15 “Revenue from Contracts with Customers

The management proceeded in a detailed analysis of the Company’s revenue streams and contract terms for sales. Based on the assessment performed by Management on 1st January 2018, the impact of implementation of IFRS 15 was not significant. Also, the adoption of IFRS 15 did not result in changes in the presentation of the financial statements.

New and revised IFRSs not adopted by the Group

At the date of approval of these consolidated financial statements a number of new standards and amendments to standards and interpretations are effective for accounting periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. These are not expected to have a significant impact for the Group.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments applied till 31 December 2017 are presented in Note 21.

Basis of Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

For the acquisition of an asset or a group of assets that does not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill.

The Company recognizes its investments in subsidiaries in separate financial statements at cost less impairment. In addition, the acquisition cost is adjusted to reflect changes in price resulting from any modifications of contingent consideration.

(b) Transactions with non-controlling interest

The Group treats transactions with non-controlling interest as transactions with equity owners of the Group. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity within non-controlling interest. Gains or losses of the Group on disposals to non-controlling interest are also recorded in equity within non-controlling interest. Gains or losses of the Group from transactions with non-controlling interest with companies under common control are recorded in equity in common control reserve.

4. Summary of significant accounting policies (continued)

Revenue recognition

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company recognizes revenue when the parties have approved the contract and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance, it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

If the payments made by a customer exceed the services rendered under the relevant contract, a contract liability is recognized.

Revenue from rendering of services is recognised based on the stage of completion determined by reference to services performed to date as a percentage of total services to be provided. If the income from rendering of services cannot be reliably measured, only the income up to the level of the expenses to be claimed is recognized.

Foreign currency translation

(i) Functional and presentation currency

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

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".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. 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 hyperinflationary 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 date, in which income and expenses are translated at the rate of the dates of the transactions).
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the closing entity and translated at the closing rate. All resulting exchange differences are recognised in other comprehensive income.

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 countries where the company and its subsidiaries operate and generate taxable income.

The Company is taxed on its taxable income based on a tax rate of 12,50% in Cyprus. The Company's foreign subsidiaries are taxed on their taxable income based on a tax rate of 17,5% in Panama.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, 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, the 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 or 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 profit will be available against which the temporary differences can be utilised.

Property, plant and equipment

All property, plant and equipment is stated in the balance sheet at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

4. Summary of significant accounting policies (continued)**Property, plant and equipment (continued)**

Depreciation, based on the component approach, is calculated so as to write off the cost of the assets, over their estimated useful lives, using the straight-line method, as follows:

| | |
|------------------------|-------------|
| Land | Nil |
| Buildings | 50 years |
| Fixtures and equipment | 4 – 9 years |

The assets' residual values and useful life are reviewed, and adjusted if appropriate, at least each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the income statement.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property and is not used by the Group. Investment property comprises properties under construction which are being developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the investment property is substantially complete, or suspended if the development of the investment property is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are appraised as at June 30 and December 31 each year by independent professional valuers.

Investment property under construction is measured at fair value only if it can be measured reliably.

Investment property further qualified for continued use as investment property, or for which the market has become less active, continues to be valued at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows (including rental payments and other outflows) that could be expected in respect of the property. Some of those outflows are reflected as a liability; whereas others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount 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. Repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the income statement. Investment property is derecognised when disposed or when use of investment property is ended and there is no future economic benefit expected from the disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

4. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer, is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement to the extent that this gain reverses a previous impairment loss. Any remaining profit is recognized in other comprehensive income by increasing the asset revaluation reserve in equity.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to non-current assets as available for sale if they meet the criteria of IFRS 5. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Group didn't capitalize borrowing costs within the period.

Impairment of non-financial assets

Intangibles that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events and changes in circumstances indicate that they might be impaired. 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 – Classification

From 1 January 2018, the Company classifies its financial assets in those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

4. Summary of significant accounting policies (continued)

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

Financial assets – impairment – credit loss allowance for ECL

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the balance sheet net of the allowance for ECL.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

The Company applies general approach – three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 5, Credit risk section for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 5, Credit risk section.

Additionally the Company has decided to use the credit risk assessment exemption for investment grade financial assets. Refer to Note 5, Credit risk section for a description of how Company determines low credit risk financial assets.

4. Summary of significant accounting policies (continued)

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery

Financial assets – modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, change in the currency denomination.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities – measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost.

4. Summary of significant accounting policies (continued)**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. Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the 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 (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Borrowing costs are interest and other costs that the Company 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 Company and the costs can be measured reliably.

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 recognised amounts and there is an intention to settle on a net basis or realise 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.

4. Summary of significant accounting policies (continued)

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See Note 5 Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

Share capital, share premium and capital contribution

Ordinary shares and share premium are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction (net of tax), from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Capital contribution represents contributions by the shareholders directly in the reserves of the Company. The Company does not have any contractual obligation to repay these amounts.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payments is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

5. Financial risk management

(i) Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including foreign exchange risk, and fair value interest rate risk), credit risk and liquidity risk. The financial risks relate to "Trade and other receivables", "Cash and cash equivalents", "Trade and other payables" and "Other non-current liabilities". The accounting policy with respect to these financial instruments is described in Note 4.

Risk management primarily focuses on the identification and evaluation of financial risk, which includes foreign exchange risk.

• Fair value interest rate risk

The Company has significant interest-bearing assets (mainly loans receivables from related parties). The Company's exposure to fair value interest rate risk is not significant as the loans receivable do not bear any interest and are repayable on demand. Any potential change in market rates will not have a significant impact on the book value of loans receivable from related and thus neither on the Company's profit after tax.

• Foreign exchange risk

The group operates internationally. Foreign exchange risk arises due to foreign currency transactions, recognized financial assets and liabilities that are not in the functional currency of each Group company and mainly from the Group's investments in subsidiaries abroad. As at December 31 2018, the effect of foreign exchange differences was not significant.

• Credit risk

Credit risk arises mainly from cash and cash equivalents, trade receivables and loans and other receivables from related parties.

A significant increase of credit risk is justified if the debtor is more than 30 days past due on its contractual payments. A financial instrument is considered impaired when it is more than 90 days past due on its payment. Financial assets are written-off when there is no reasonable expectation of recovery, such as the failure of a debtor to engage in a repayment plan with the Group. When the receivables are written off, the Group continues to perform activities for legislation enforcement in order to retrieve the due claim. When there are recoveries, they are recognized in profit or loss.

Trade receivables

For trade receivables the Group applies policies which ensure that sales of property and services are provided to customers with the proper historical credibility. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors such as the transfer of ownership certificate of property that were sold to customers with the full repayment of the balance. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Based on the above, the expected credit losses for trade receivables at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) were not significant.

Cash and cash equivalents

For the credit risk related to cash and cash equivalents, deposits at bank and financial institutions, the Group has policies in place to ensure that cash balances are deposited with financial institutions of an acceptable credit quality. The Group calculates the expected credit losses based on external credit ratings.

5. Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

The following table contains an analysis of the gross carrying value of the Group's cash at bank, short term bank deposits and restricted cash in connection with the credit risk assessments that have been performed by external credit rating agencies. The following amounts represent the Group's maximum exposure to credit risk for these financial assets as at 31 December 2018.

| | |
|--|-------------------|
| Group | € |
| Cash at bank and short-term bank deposits | |
| AAA-A | 16 |
| CCC-C | 863 |
| Unrated | 11 |
| | <u>890</u> |
| | <u><u>890</u></u> |
| Company | € |
| Cash at bank and short-term bank deposits | |
| CCC-C | 863 |
| | <u>863</u> |
| | <u><u>863</u></u> |

The expected credit loss for cash balances as at 1 January 2018 and 31 December 2018 based on general approach of IFRS 9 was not significant. All cash and cash equivalents and restricted cash were performing-Stage 1 at 31 December 2018.

Receivables from related parties

For credit risk related to balances with related parties, the Group estimates on an individual basis its exposure to credit risk. This estimation takes into account, among others, the period over which the receivable balance is due, whether the receivable amount is past due, the expectations regarding changes in the business, financial or economic conditions and the ability of the counterparty to repay the receivable balance as well. The Group's receivables from related parties are at Stage 1 of the impairment model of IFRS 9. According to the assessment that was performed, no credit loss arises.

- **Liquidity risk**

Prudent liquidity risk management implies sufficient cash balances, availability of funding through an adequate amount of committed credit facilities and ability to close out market positions. Due to the dynamic nature of the underlying business, the Group management aims to maintain flexibility in funding by keeping adequate cash and committed credit lines available for overdrafts and time deposits.

5. Financial risk management (continued)

(i) Financial risk factors (continued)

• Liquidity risk (continued)

Group's liquidity position is monitored on a regular basis by the management. A summary table is presented below with maturity of financial assets and liabilities (the tables include undiscounted flows for interest and principal)

Group

| | Up to 1 year € | Between 1 and 2 years € | Between 2 to 5 years € | Over 5 years € |
|------------------------------|----------------------|----------------------------------|---------------------------------|----------------------|
| At 31 December 2017 | | | | |
| Financial assets | | | | |
| Trade and other receivables | 631 | - | - | - |
| Cash and cash equivalents | 4.313 | - | - | - |
| | <u>4.944</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities | | | | |
| Borrowings | 2.161 | - | - | - |
| Trade and other payables | 1.027 | 264 | - | - |
| | <u>3.188</u> | <u>264</u> | <u>-</u> | <u>-</u> |

| | Up to 1 year € | Between 1 and 2 years € | Between 2 to 5 years € | Over 5 years € |
|------------------------------------|----------------------|----------------------------------|---------------------------------|----------------------|
| At 31 December 2018 | | | | |
| Financial assets | | | | |
| Trade receivables | 136 | - | - | - |
| Financial assets at amortised cost | 816 | - | - | - |
| Cash and cash equivalents | 890 | - | - | - |
| | <u>1.842</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities | | | | |
| Borrowings | 2.265 | - | - | - |
| Trade and other payables | 1.253 | - | - | - |
| | <u>3.528</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Company

| | Up to 1 year € | Between 1 and 2 years € | Between 2 to 5 years € | Over 5 years € |
|------------------------------|----------------------|----------------------------------|---------------------------------|----------------------|
| At 31 December 2017 | | | | |
| Financial assets | | | | |
| Loans receivable | 4.015 | - | - | - |
| Cash and cash equivalents | 896 | - | - | - |
| | <u>4.911</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities | | | | |
| Trade and other payables | 20 | - | - | - |
| | <u>20</u> | <u>-</u> | <u>-</u> | <u>-</u> |

5. Financial risk management (continued)

(i) Financial risk factors (continued)

• Liquidity risk (continued)

| | Up to 1 year € | Between 1 and 2 years € | Between 2 to 5 years € | Over 5 years € |
|------------------------------------|----------------------|----------------------------------|---------------------------------|----------------------|
| At 31 December 2018 | | | | |
| Financial assets | | | | |
| Financial assets at amortised cost | 4.141 | - | - | - |
| Cash and cash equivalents | 863 | - | - | - |
| | <u>5.004</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities | | | | |
| Trade and other payables | 25 | - | - | - |
| | <u>25</u> | <u>-</u> | <u>-</u> | <u>-</u> |

(ii) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue operating in order to provide returns to shareholders, benefits to other stakeholders as well as maintain an optimal capital structure in order to reduce the cost of capital.

In order to sustain or adjust the capital structure, the Company can do one of the following: adjust the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets.

(iii) Fair value estimation

The Group uses the following hierarchy in order to determine and disclose the fair value of financial assets and liabilities per valuation technique:

Level 1: Financial assets that are traded on active markets, the fair value of which is determined based on published market prices at the reporting date for similar assets and liabilities.

Level 2: Financial assets that are not traded on active markets, the fair value of which is determined using valuation techniques and assumptions that are either directly or indirectly based on market conditions at the reporting date.

Level 3: Financial assets that are not traded on active markets, the fair value of which is determined using valuation techniques and assumptions that are essentially not based on market data.

Refer to Note 8 for disclosures in relation to the fair value of investment property.

As at December 31, 2018, the book value of all financial assets and liabilities (trade and other receivables, loans receivables, trade and other payables and borrowings) approximates the fair value.

6. Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies. 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.

(a) Critical accounting estimates and assumptions

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.

6. Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

• **Estimation of the fair value of investment properties**

For the revaluation of investment properties the Board of Directors relies on valuations from independent external professional valuers based on the provisions of IFRS 13 "Fair Value Measurement". This revaluation requires considerable judgment to assess the maximum and optimal use of an investment property and for the significant data and assumptions used for the estimates. For the accounting calculation and the main assumptions used, refer to Note 8.

The Group evaluates investment property by taking the high and best use (HABU) of each asset wherever possible, legally permissible and financially possible, into consideration. This valuation is based on the physical characteristics of each asset, the allowed usage and the opportunity cost of each investment.

The Group uses the following hierarchy for determining and disclosing the fair value of its financial instruments for each valuation technique:

Level 1: Financial assets that are traded on active markets whose fair value is determined on the basis of quoted prices at the reporting date for identical assets or liabilities.

Level 2: Financial assets that are not traded on active markets, whose fair value is determined by using valuation techniques and assumptions based directly or indirectly on published market prices at the reporting date.

Level 3: Financial assets not traded on active markets, whose fair value is determined by the use of techniques not based on available market information.

The best evidence of fair value is based on the current prices in an active market for similar lease and other contracts. In the event that such information is unavailable, the Group's Management determines the fair value amount through a range of reasonable fair value estimates based on advice received from its independent external valuers.

In order to make such a decision, Group's Management looks at information from various sources, including the following:

- (i) Current prices in an active market for properties of a different nature, condition or location (or subject to a different lease or other contracts), adjusted to reflect those differences.
- (ii) Recent prices of similar properties in less active markets, with adjustments made to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, and
- (iii) Discounted cash flow projections based on reliable estimates of future cash flows.

The Group carried sensitivity analysis on the principal assumptions underlying management's estimation regarding fair value:

1. Rates for hotels in relation to the average value per room, the occupancy rate, and general investment in hotels; rates for residences in relation to selling price per square metre and the cost of construction per square metre; and
2. the appropriate discount rates.

If the rates mentioned in (1) above varied by +/- 2.5% and the discount rate by +/- 0.5% the fair value of the investment property would vary between €83.945 thousand and €130.613 thousand (2017: €82.018 thousand and €126.459 thousand respectively).

No other areas exist where significant judgments are exercised which in turn affect the Group's financial position.

There are no other assumptions that would significantly affect the Group's financial position.

6. Critical accounting estimates and judgements (continued)

• Acquisition of subsidiaries

In December 2016 the Company acquired from its previous shareholder through a share for share exchange its investments in subsidiaries for €27.000 thousand. Details of the main assets and liabilities acquired were as follows:

| | € |
|-------------------------------|---------------|
| Investment property | 46.218 |
| Property, plant and equipment | 65 |
| Trade and other receivables | 625 |
| Cash and cash equivalents | 11 |
| Trade and other payables | (1.919) |
| Non controlling interest | (18.000) |
| Net assets | <u>27.000</u> |

Significant judgement was required to determine whether the above transaction qualified as a business combination or whether it should have been accounted for using the asset acquisition method.

The Board of Directors has assessed that as of the date of acquisition the missing elements in the various processes could not be replaced by any market participant and as such the above transaction has been accounted for as an asset acquisition in line with the provisions of IFRS 3 "Business combination". As a result the deferred tax liability upon initial recognition in relation to the assets acquired was not recognised.

7. Revenue

Group:

| | 2018 € | 2017 € |
|-------------------|--------------|--------------|
| Sales of services | <u>1.468</u> | <u>1.575</u> |

It includes income from third parties for their use of use of the Group's infrastructure and human capital on the island.

There was no change in revenue by category under revenue recognition guidance effective prior to 1 January 2018.

8. Investment property

| | 2018 € | 2017 € |
|---|---------------|---------------|
| Balance at the beginning of the year/ period | 88.174 | - |
| Additions: | | |
| Acquisition of investment property through subsidiary | - | 46.218 |
| Subsequent capital expenditure | 1.251 | 1.108 |
| Fair value gain | 29 | 45.706 |
| Translation differences | 4.203 | (4.858) |
| | <u>93.657</u> | <u>88.174</u> |

8. Investment property (continued)

The Group's investment property is measured at fair value. Investment property includes Isla Pedro Gonzalez (Pearl Island) in Panama. The Group received from HVS Global Hospitality Services, a consulting firm specialized in appraisals in the hospitality industry, an evaluation of the project as at December 31, 2018.

The Group's finance department includes a team that review the valuations of investment properties at least every six months. This team reports directly to the Chief Financial Officer (CFO). Discussions in relation to the valuation process and results are held between the CFO and the Board of Directors at least once every six months. At each financial year end the finance department:

- (i) Verifies all major inputs and assumptions used for the valuation report;
- (ii) Assesses property valuation movements when compared to the prior year valuation report; and
- (iii) Holds discussions with the Board of Directors.

The valuation of investment properties has been based on significant unobservable inputs and is therefore a level 3 valuation. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

9. Investment in subsidiaries

| | 2018 € | 2017 € |
|--|----------------------|----------------------|
| Balance at the beginning of the year/period | 27.000 | - |
| Additions | - | 27.000 |
| Balance at the end of the year/period | <u>27.000</u> | <u>27.000</u> |

For further information on investment in subsidiaries refer to Note 6.

The Group's interests in its subsidiaries, which are unlisted, were as follows:

| Name | Principal activity | 2018 % holding | 2017 % holding |
|------------------------------|---|-------------------|-------------------|
| Zoniro Panama S.A. | Project Administration Services | 60% | 60% |
| Don Bernardo Hotel S.A. | Development of Tourism Real Estate Projects | 60% | 60% |
| Pearl Island Limited S.A. | Development of Tourism Real Estate Projects | 60% | 60% |
| Pearl Island Utikity S.A. | Project Administration Services | 60% | 60% |
| Pearl Island Airport S.A. | Airfield Services | 60% | 60% |
| Don Bernardo Residences S.A. | Development of Tourism Real Estate Projects | 60% | 60% |

9. Investment in subsidiaries (continued)

The summarised financial information for subsidiaries with material non-controlling interests are presented below:

Summarised balance sheet:

| | Zoniro Panama S.A. As at 31 December | | Don Barnardo Hotel S.A. As at 31 December | | Pearl Island Limited S.A. As at 31 December | |
|------------------------------------|---|----------------|--|----------------|--|---------------|
| | 2018 € | 2017 € | 2018 € | 2017 € | 2018 € | 2017 € |
| Assets | 935 | 653 | 58.804 | 2.712 | 1.036 | 1.075 |
| Liabilities | 4.831 | 2.496 | 4.117 | 3.875 | 1.512 | 1.211 |
| Total | (3.520) | (1.843) | 54.687 | (1.163) | (476) | (137) |
| Non-current | | | | | | |
| Assets | 562 | 687 | 1.832 | 53.502 | 36.142 | 34.014 |
| Liabilities | 186 | 180 | - | - | - | - |
| Total | 376 | 507 | 1.832 | 53.502 | 36.142 | 34.014 |
| Net assets | (3.144) | (1.336) | 56.519 | 52.339 | 35.666 | 33.878 |
| Third parties - % Third parties | 40% (1.258) | 40% (534) | 40% 22.608 | 40% 20.936 | 40% 14.266 | 40% 13.551 |

Summarised statement of comprehensive income:

| | Zoniro Panama S.A. As at 31 December | | Don Barnardo Hotel S.A. As at 31 December | | Pearl Island Limited S.A. As at 31 December | |
|--|---|--------------|--|---------------|--|---------------|
| | 2018 € | 2017 € | 2018 € | 2017 € | 2018 € | 2017 € |
| Revenue | (1.995) | 1.575 | (1) | - | (188) | 3 |
| Fair value adjustment on investment property | (139) | 340 | (176) | 26.349 | 344 | 19.039 |
| Profit/(loss) for the year | (2.134) | (674) | (177) | 26.348 | 156 | 18.906 |
| Other comprehensive income (loss) | (52) | - | 2.525 | - | 1.633 | - |
| Total comprehensive income (loss) | (2.185) | (674) | 2.348 | 26.348 | 1.789 | 18.906 |
| Total comprehensive income/(loss) allocated to non- controlling interests | (874) | (274) | 939 | 10.539 | 716 | 7.562 |

9. Investment in subsidiaries (continued)

Summarised statement of cash flows:

| | Zoniro Panama S.A. As at 31 December | | Don Barnardo Hotel S.A. As at 31 December | | Pearl Island Limited S.A. As at 31 December | |
|---|---|-----------|--|--------------|--|------------|
| | 2018 € | 2017 € | 2018 € | 2017 € | 2018 € | 2017 € |
| Net cash from/(used in) operating activities | 304 | (1.595) | (1.702) | 203 | (743) | (320) |
| Net cash from/(used in) investing activities | (330) | 1.632 | (917) | 2.423 | - | 1.065 |
| Net increase/ (decrease) in cash, cash equivalents | (26) | 37 | (2.619) | 2.626 | (743) | 745 |
| Cash and cash equivalents at beginning of the year | 39 | 2 | 2.626 | 2 | 750 | 5 |
| Cash and cash equivalent at year end | 13 | 39 | 7 | 2.628 | 7 | 750 |

10. Trade and other receivables

The analysis of trade and other receivables is as follows:

| | Group 2018 € | Company 2018 € |
|---|--------------------|----------------------|
| Trade receivables | 136 | - |
| Other receivables | 38 | 2 |
| Receivables from related parties (Note 19) | 778 | - |
| Loans receivables (Note 19) | - | 4.139 |
| Total financial assets at amortised cost | 952 | 4.141 |
| | 2017 € | 2017 € |
| Trade receivables | 40 | - |
| Receivables from related parties (Note 19) | 451 | - |
| Loans receivables (Note 19) | - | 4.015 |
| Other receivables | 141 | - |
| Trade and other receivables | 631 | 4.015 |

11. Loans receivable

Loans receivable for the Company as at December 31, 2017, relating to a shareholder's loan given to the Panamanian companies. The shareholder's loan is interest free and received on demand.

12. Cash and cash equivalents

The analysis of cash and cash equivalents is as follows:

| | Group 2018 890 | Company 2018 863 |
|--------------------------------------|----------------------|------------------------|
| Cash at bank and short-term deposits | <u>890</u> | <u>863</u> |
| | 2017 € | 2017 € |
| Cash at bank and short-term deposits | <u>4.313</u> | <u>896</u> |
| | 4.313 | 896 |

Cash and bank balances are denominated in the following currencies:

| | Group 2018 | Company 2018 |
|---|---------------|-----------------|
| Euro – functional and presentation currency | 863 | 863 |
| US Dollar | 27 | - |
| | <u>890</u> | <u>863</u> |
| | 2017 € | 2017 € |
| Euro – functional and presentation currency | 896 | 896 |
| US Dollar | 3.417 | - |
| | <u>4.313</u> | <u>896</u> |

13. Share capital, share premium and capital contributions

The Group's shareholder equity is analysed as follows:

| | Number of Shares (thousands) | Share capital | Share Premium |
|--|------------------------------------|------------------|------------------|
| Balance January 1, 2017 | | | |
| Issuance of new shares | 4 | 4 | 26.998 |
| Balance December 31, 2017/ January 1, 2018/ December 31, 2018 | <u>4</u> | <u>4</u> | <u>26.998</u> |

The total authorised number of ordinary shares as at December, 31, 2018, is 5.000 (2017: 5.000) with a par value of €4 per share. 4.000 shares are fully paid up amounting to €4.000. On incorporation 2.000 shares were issued with a par value of €1 per share (total €2.000 thousand). On December 16, 2016 an additional 2.000 shares were issued with a par value of €13.500 per share (total €27.000 thousand).

On April 25th, 2017 the Extraordinary Shareholder Meeting of the Company decided to allot up to 1.000 shares each with a nominal value of €1 and each at a premium of up to €9.999 to its sole shareholder Grivalia Hospitality S.A. in consideration of any amounts of up to €10.000 thousand by the end of 2017. €5.000 thousand have been contributed upto December 31, 2018.

14. Trade and other payables

The analysis of trade and other payables is as follows:

| | Note | Group 2018 € | Company 2018 € |
|--------------------------------|------|--------------------|----------------------|
| Trade payables | | 489 | |
| Other payables and accruals | | 417 | 25 |
| Amounts due to related parties | 19 | 347 | - |
| | | <u>1.253</u> | <u>25</u> |
| | | 2017 € | 2017 € |
| Trade payables | | 486 | - |
| Other payables and accruals | | 322 | 20 |
| Amounts due to related parties | 19 | 219 | - |
| | | <u>1.027</u> | <u>20</u> |

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

15. Borrowings

Borrowings for the Group as at December 31, 2018, amounting to €2.265 thousand (2017: €2.161 thousand) relate to a shareholder's loan received by the Panamanian companies (subsidiaries). The shareholder's loan is interest free and payable on demand.

16. Expenses by nature

Expenses comprise the following:

| | Group | | Company | |
|---|--------------|--------------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | € | € | € | € |
| Repairs and maintenance | 47 | 53 | - | - |
| Insurance | - | 29 | - | - |
| Property permits | - | 14 | - | - |
| Salaries, wages and allowances | 822 | 746 | - | - |
| Social security costs | 327 | 165 | - | - |
| Other benefits | 49 | 198 | - | - |
| Corporate Social Responsibility | - | 15 | - | - |
| Depreciation of property, plant and equipment | 22 | 38 | - | - |
| Professional fees | 146 | 327 | 4 | 3 |
| Auditors' remuneration | 70 | 20 | 25 | 20 |
| Advertising and promotion | 25 | 7 | - | - |
| Non deductible VAT | - | 6 | - | - |
| Other administration expenses | 2.170 | 1.151 | 7 | 11 |
| | <u>3.678</u> | <u>2.769</u> | <u>36</u> | <u>34</u> |

The total fees charged by the Group's statutory auditor for the year ended 31 December 2018 for tax advisory services amounted to €10,000.

17. Employee benefit expense

| | Group | | Company | |
|---|--------------|---|-----------|---|
| | 2018 € | Period from 15 December 2016 to 31 December 2017 € | 2018 € | Period from 15 December 2016 to 31 December 2017 € |
| Salaries, wages and allowances | 822 | 746 | - | - |
| Social security costs | 327 | 165 | - | - |
| Other benefits | 49 | 198 | - | - |
| Employee benefit expense | 1.198 | 1.109 | - | - |
| Average number of staff employed during the year/period | 57 | 65 | - | - |

18. Contingencies

(a) Income taxes

The Board of Directors recognized liabilities for anticipated tax issues based on estimations as to whether additional taxes will arise. According to the estimations of the Board of Directors no significant differences are expected in relation to provisions for corporate tax, deferred tax liabilities and other indirect taxes.

19. Related party transactions

On incorporation the Company was controlled by Dolphin Capital Investors Limited (DCI). On March 14, 2017, Grivalia Hospitality S.A. acquired 100% of the issued shares of the Company from DCI and became the holding company and ultimate controlling party of the Company. Grivalia Hospitality S.A. is jointly controlled by Grivalia Properties REIC (25%), Eurolife ERB Insurance Group (25%), M&G investments (50%). As of May 17, 2019, Grivalia Properties REIC was acquired by Eurobank Ergasias S.A.

The following transactions were carried out with related parties:

(a) Sales and purchase of services

| | Group | | Company | |
|------------------------------|------------|---|-----------|---|
| | 2018 € | Period from 15 December 2016 to 31 December 2017 € | 2018 € | Period from 15 December 2016 to 31 December 2017 € |
| Sales of services: | | | | |
| Other related parties | 676 | 1.231 | - | - |
| | 676 | 1.231 | - | - |
| Purchase of services: | | | | |
| Other related parties | 183 | 197 | - | - |
| | 183 | 197 | - | - |

19. Related party transactions (continued)

(b) Year-end balances

| | Group | | Company | |
|--|------------|------------|-----------|-----------|
| | 2018 € | 2017 € | 2018 € | 2017 € |
| Receivables from related parties: | | | | |
| Other related parties | 778 | 451 | 2 | - |
| | <u>778</u> | <u>451</u> | <u>2</u> | <u>-</u> |
| Purchase of services: | | | | |
| Other related parties | 347 | 219 | - | - |
| | <u>347</u> | <u>219</u> | <u>-</u> | <u>-</u> |

(c) Loans to related parties

| | Group | | Company | |
|------------------------------|-----------|-----------|--------------|--------------|
| | 2018 € | 2017 € | 2018 € | 2017 € |
| Loans to subsidiaries | | | | |
| At beginning of year/period | - | - | 4.105 | - |
| New loans | - | - | - | 4.105 |
| Foreign exchange differences | - | - | 34 | - |
| At end of year/period | <u>-</u> | <u>-</u> | <u>4.139</u> | <u>4.105</u> |

Loans to subsidiaries as at December 31, 2017 relates to a shareholder's loan given from the Company to the Panamanian subsidiaries. The shareholder's loan is interest free and received on demand.

(d) Borrowings from related parties

| | Group | | Company | |
|------------------------------------|--------------|---|-----------|---|
| | 2018 € | Period from 15 December 2016 to 31 December 2017 € | 2018 € | Period from 15 December 2016 to 31 December 2017 € |
| Loans from related parties: | | | | |
| At beginning of year/period | 2.161 | - | - | - |
| New loans | - | 2.161 | - | - |
| Foreign exchange differences | 104 | - | - | - |
| At end of year/period | <u>2.265</u> | <u>2.161</u> | <u>-</u> | <u>-</u> |

Borrowings from subsidiaries as at December, 31, 2018 relates to a shareholder's risk free loan received from the Panamanian subsidiaries.

19. Related party transactions (continued)

(e) Commitments and contingent liabilities

There were no commitments and contingent liabilities between the Company and related parties.

(f) Capital contribution

On April 27, 2017 the shareholder made a capital contribution to the Company amounting € 5.000 thousands.

20. Events after the balance sheet date

On November 26, 2018, the merger through absorption of Grivalia Properties REIC by Eurbank Ergasias S.A. was announced. The merger was completed on May 17, 2019 making Eurobank Ergasias S.A. the owner of the Company.

There were no other significant events that have taken place after December 31, 2018, which affect either the Group or the Company's financial position that need to be mentioned according to the International Financial Reporting Standards.

21. Accounting policies before 1 January 2018

Accounting policies applicable to the comparative year ended 31 December 2018 that were amended by IFRS 9, are as follows:

Financial assets

(i) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. 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 Company's loans and receivables comprise "trade receivables", "loan receivable", "other receivables", "cash and cash equivalents" and "bank deposits with original maturity above 3 months" in the balance sheet.

Impairment of financial assets

The Company assesses 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.

21. Accounting policies before 1 January 2018 (continued)

Financial assets (continued)

(i) Classification (continued)

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 measured 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 a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method, unless the effects of discounting are not material, 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. 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 initial effective interest rate.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash deposits held with banks with original maturities of approximately three months or less.

Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for the sale of goods and services in the ordinary course of the Company's activities, net of value added taxes, returns and discounts.

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

(a) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to 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.

21. Accounting policies before 1 January 2018 (continued)

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.

Fees paid on the 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 (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss on extinguishment is recognised in profit or loss except to the extent that it arises as a result of transactions with shareholders acting in their capacity as shareholders when it is recognised directly in equity. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Borrowing costs are interest and other costs that the Company 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 Company and the costs can be measured reliably.

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

Independent Auditor's Report on pages 38 to 40.



Independent Auditor's Report

To the Members of Pearl Island Holdings Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated financial statements of Pearl Island Holdings Limited (the "Company"), and its subsidiaries (the "Group") and the accompanying separate financial statements of the Company (together the "consolidated and separate financial statements"), which are presented in pages 1 to 37 and comprise the consolidated balance sheet and separate balance sheet as at 31 December 2018, and the consolidated income statement and consolidated statements of comprehensive income, changes in shareholders' equity and cash flows, and the separate income statement and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 and Separate Financial Statements section of our report. 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 consolidated and separate financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of the Board of Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's and financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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


- Identify and assess the risks of material misstatement of the consolidated and separate 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 the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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 and separate 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 and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- 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 and separate 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 the Board of Directors 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.

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 69 of the Auditors Law of 2017 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.



Theodoros Stylianou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 24 July 2019

PEARL ISLAND HOLDINGS LIMITED

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED DECEMBER 31, 2018

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Consolidated Balance Sheet

| | Note | Group | |
|--|------|----------------------|----------------------|
| | | 2018 € | 2017 € |
| Assets | | | |
| Non-current assets | | | |
| Investment property | 8 | 93.657 | 88.174 |
| Property, plant and equipment | | 10 | 29 |
| | | <u>93.667</u> | <u>88.203</u> |
| Current assets | | | |
| Trade and other receivables | 10 | 952 | 631 |
| Cash and cash equivalents | 12 | 890 | 4.313 |
| | | <u>1.842</u> | <u>4.944</u> |
| Total assets | | <u><u>95.509</u></u> | <u><u>93.147</u></u> |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 13 | 4 | 4 |
| Share premium | 13 | 26.998 | 26.998 |
| Capital contributions | 13 | 5.000 | 5.000 |
| Currency translation reserve | | (333) | (2.865) |
| Retained earnings | | 25.391 | 26.636 |
| Equity attributable to owners of the entity | | <u>57.059</u> | <u>55.773</u> |
| Non-controlling interest | | 34.744 | 33.921 |
| Total equity | | <u>91.803</u> | <u>89.694</u> |
| Non-current liabilities | | | |
| Deferred income | | 186 | 264 |
| | | <u>186</u> | <u>264</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 1.253 | 1.027 |
| Current tax liabilities | | 1 | 1 |
| Borrowings | 15 | 2.265 | 2.161 |
| | | <u>3.519</u> | <u>3.189</u> |
| Total liabilities | | <u>3.706</u> | <u>3.453</u> |
| Total equity and liabilities | | <u><u>95.509</u></u> | <u><u>93.147</u></u> |

On 24 July 2019 the Board of Directors of Pearl Island Holdings Limited authorised these financial statements for issue.


.....
Panagiotis Aristeidis Varfis, Director


.....
Charalambos Anastaselos, Director


The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Separate Balance Sheet

| | Note | Company | |
|-------------------------------------|------|----------------------|----------------------|
| | | 2018 € | 2017 € |
| Assets | | | |
| Non-current assets | | | |
| Investment in subsidiaries | 9 | 27.000 | 27.000 |
| | | <u>27.000</u> | <u>27.000</u> |
| Current assets | | | |
| Trade and other receivables | 10 | 4.141 | - |
| Loans receivable | 11 | - | 4.015 |
| Cash and cash equivalents | 12 | 863 | 896 |
| | | <u>5.004</u> | <u>4.911</u> |
| Total assets | | <u><u>32.004</u></u> | <u><u>31.911</u></u> |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 13 | 4 | 4 |
| Share premium | 13 | 26.998 | 26.998 |
| Capital contributions | 13 | 5.000 | 5.000 |
| Accumulated losses | | (23) | (111) |
| Total equity | | <u>31.979</u> | <u>31.891</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 25 | 20 |
| Total liabilities | | <u>25</u> | <u>20</u> |
| Total equity and liabilities | | <u><u>32.004</u></u> | <u><u>31.911</u></u> |

On 24 July 2019 the Board of Directors of Pearl Island Holdings Limited authorised these financial statements for issue.


.....
Panagiotis Aristeidis Varfis, Director


.....
Charalampos Anastaselos, Director

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Consolidated Income Statement for the year ended December 31 2018

| | | Group | |
|---|------|-----------------------|---|
| | Note | 2018 € | Period from 15 December 2016 to 31 December 2017 € |
| Revenue | | | |
| Income from service charges | 7 | 1.468 | 1.575 |
| Fair value gain on investment property | 8 | 29 | 45.706 |
| Direct property relating expenses | 16 | (163) | (96) |
| Corporate social responsibility | | - | (15) |
| Employee benefit expense | 17 | (1.198) | (1.109) |
| Depreciation of property, plant and equipment | | (22) | (38) |
| Other administrative expenses | 16 | (2.170) | (1.511) |
| Operating (loss)/ profit | | <u>(2.056)</u> | <u>44.512</u> |
| Finance costs | | (1) | (21) |
| (Loss)/profit before income tax | | <u>(2.056)</u> | <u>44.491</u> |
| Income tax expenses | | (10) | (23) |
| (Loss)/profit for the year/period | | <u>(2.066)</u> | <u>44.468</u> |
| Attributable to: | | | |
| Shareholders (owners of the parent) | | (1.246) | 26.636 |
| Non-controlling interest | | (820) | 17.832 |
| (Loss)/profit for the year/period | | <u><u>(2.066)</u></u> | <u><u>44.468</u></u> |

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Separate Income Statement for the year ended December 31, 2018

| | <u>Company</u> | |
|---|------------------|--|
| | 2018 | Period from 15 December 2016 to 31 December 2017 |
| | € | € |
| Other administrative expenses | (36) | (34) |
| Operating loss | <u>(36)</u> | <u>(34)</u> |
| Finance income/ costs – net | 124 | (77) |
| Profit/ (loss) before income tax | <u>88</u> | <u>(111)</u> |
| Income tax | - | - |
| Profit/ (loss) for the year/period | <u><u>88</u></u> | <u><u>(111)</u></u> |

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Consolidated Statement of Comprehensive Income for the year ended December 31, 2018

| | <u>Group</u> | |
|--|----------------|--|
| | 2018 | Period from 15 December 2016 to 31 December 2017 |
| | € | € |
| (Loss)/profit for the year/period | (2.066) | 44.468 |
| Other comprehensive income/(loss): | | |
| Items that may be reclassified to the income statement | | |
| Foreign exchange differences | 2.532 | (2.866) |
| Total items that can be reclassified subsequently to the income statement | <u>2.532</u> | <u>(2.866)</u> |
| Items that may not be reclassified subsequently to the income statement | | |
| Share of foreign exchange differences attributable to non-controlling interest | 1.643 | (1.910) |
| Total items that cannot be reclassified subsequently to the income statement | <u>1.643</u> | <u>(1.910)</u> |
| Total other comprehensive income/(loss) | 4.175 | (4.776) |
| Total comprehensive income for the year/period | 2.109 | 39.692 |
| Total comprehensive income for the year/period attributable to: | | |
| -Shareholders (owners of the parent) | 1.286 | 23.771 |
| -Non-controlling interest | 823 | 15.921 |
| Total comprehensive income for the year/period | 2.109 | 39.692 |

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of the comprehensive income.

Separate Statement of Comprehensive Income for the year ended December 31, 2018

| | <u>Company</u> | |
|--|----------------|--|
| | 2018 | Period from 15 December 2016 to 31 December 2017 |
| | € | € |
| Profit/(loss) for the year/period | 88 | (111) |
| Total comprehensive income/(loss) for the year | <u>88</u> | <u>(111)</u> |
| Total comprehensive income for the year/period attributable to: | | |
| -Shareholders (owners of the parent) | 88 | (111) |
| -Non-controlling interest | - | - |
| Total comprehensive income/(loss) for the year/period | <u>88</u> | <u>(111)</u> |

Items in the statement above are disclosed net of tax. There is no income tax relating to the components of the comprehensive income.

Pearl Island Holdings Ltd

Consolidated and Separate Financial Statements
for the period ended December 31, 2018
(All amounts expressed in €'000s unless otherwise stated)

Consolidated Statement of Changes in Shareholders' Equity for the year ended December 31, 2018

| | Note | Attributable to owners of the parent | | | | | | | Total € |
|---|------|--------------------------------------|-----------------------|-------------------------------|---|---------------------------|------------|--------------------------------------|------------|
| | | Share capital € | Share premium € | Capital contributions € | Currency translation reserve € | Retained earnings € | Total € | Non- controlling interest € | |
| Balance at December 15, 2016 | | - | - | - | - | - | - | - | - |
| Profit for the period | | - | - | - | - | 26.636 | - | 26.636 | 17.832 |
| Other comprehensive income | | - | - | - | (2.865) | - | (2.865) | (2.865) | (1.911) |
| Total comprehensive income for the period | | - | - | - | (2.865) | 26.636 | (2.865) | 23.771 | 15.921 |
| Transactions with shareholders: | | | | | | | | | |
| Capital contribution | 13 | - | - | 5.000 | - | - | - | 5.000 | - |
| Issuance of shares | 13 | 4 | 26.998 | - | - | - | - | 27.002 | - |
| Non-controlling interest on acquisition of asset | 6 | - | - | - | - | - | - | - | 18.000 |
| Balance at December 31, 2017 | | 4 | 26.998 | 5.000 | (2.865) | 26.636 | (2.865) | 55.773 | 33.921 |
| Loss for the year | | - | - | - | - | (1.246) | - | (1.246) | (820) |
| Other comprehensive income | | - | - | - | 2.532 | - | 2.532 | 2.532 | 1.643 |
| Total comprehensive income/(loss) for the year | | - | - | - | 2.532 | (1.246) | 2.532 | 1.286 | 823 |
| Balance at December 31, 2018 | | 4 | 26.998 | 5.000 | (333) | 25.391 | (333) | 57.059 | 34.744 |

Retained earnings in the separate financial statements of the Company is the only reserve that is available for distribution in the form of dividends to the Company's shareholders.

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Company Statement of Changes in Shareholders' Equity for the year ended December 31, 2018

| | Note | Share capital € | Share premium € | Capital contributions € | Retained earnings € | Total € |
|--|------|--------------------|--------------------|----------------------------|------------------------|------------|
| Balance at December 15, 2016 | | - | - | - | - | - |
| Loss for the period | | - | - | - | (111) | (111) |
| Total comprehensive loss for the period | | - | - | - | (111) | (111) |
| Transactions with shareholders: | | | | | | |
| Issuance of shares | 13 | 4 | 26.998 | - | - | 27.002 |
| Capital contribution | 13 | - | - | 5.000 | - | 5.000 |
| Balance at December 31, 2017 | | 4 | 26.998 | 5.000 | (111) | 31.891 |
| Profit for the year | | - | - | - | 88 | 88 |
| Total comprehensive income for the year | | - | - | - | 88 | 88 |
| Balance at December 31, 2018 | | 4 | 26.998 | 5.000 | (23) | 31.979 |

Retained earnings in the separate financial statements of the Company is the only reserve that is available for distribution in the form of dividends to the Company's shareholders.

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Consolidated Cash Flow Statement for the year ended December 31, 2018

| | Note | Group | |
|---|------|----------------|---|
| | | 2018 € | Period from 15 December 2016 to 31 December 2017 € |
| Cash flows from operating activities | | | |
| (Loss)/profit for the year/period | | | |
| Finance costs | | (2.056) | 44.491 |
| Fair value gain on investment property | | 1 | 21 |
| Depreciation of property, plant and equipment | 8 | (29) | (45.706) |
| Foreign exchange differences | 16 | (22) | 38 |
| | | 120 | - |
| Operating cash flows before working capital changes | | <u>(1.986)</u> | <u>(1.156)</u> |
| Changes in working capital: | | | |
| Increase in receivables | | (321) | (30) |
| Increase/(decrease) in payables | | 142 | (862) |
| Deferred income | | 6 | - |
| Cash used in operating activities | | <u>(2.159)</u> | <u>(2.047)</u> |
| Income tax paid | | (10) | (23) |
| Net used in operating activities | | <u>(2.169)</u> | <u>(2.070)</u> |
| Cash flows from investing activities | | | |
| Subsequent capital expenditure for investment property | 8 | (1.251) | (1.108) |
| Net cash used in investing activities | | <u>(1.251)</u> | <u>(1.108)</u> |
| Cash flows from financing activities | | | |
| Interest paid | | (1) | (21) |
| Capital contribution | | - | 5.000 |
| Shareholders' loan | 13 | - | 2.161 |
| Net cash (used in)/generated from financing activities | | <u>(1)</u> | <u>7.140</u> |
| Net (decrease)/ increase in cash, cash equivalents for the year/period | | <u>(3.423)</u> | <u>3.962</u> |
| Cash and cash equivalents from acquisition | | - | 11 |
| Exchange gains/(losses) on cash and cash equivalents | | - | 341 |
| Cash and cash equivalents at the beginning of the year/ period | | <u>4.313</u> | <u>-</u> |
| Cash and cash equivalents at the end of the year/period | 12 | <u>890</u> | <u>4.313</u> |

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

Separate Cash Flow Statement for the year ended December 31, 2018

| | | <u>Company</u> | |
|--|------|-------------------|--|
| | | 2018 | Period from 15 December 2016 to 31 December 2017 |
| | Note | € | € |
| Cash flows from operating activities | | | |
| Profit/(loss) for the year/period | | 88 | (111) |
| Foreign exchange (gains)/losses on financing activities | | (125) | 77 |
| Operating cash flows before working capital changes | | <u>(37)</u> | <u>(34)</u> |
| Changes in working capital: | | | |
| Increase in receivables | | (126) | - |
| Increase in payables | | 5 | 22 |
| Net cash used in operating activities | | <u>(158)</u> | <u>(12)</u> |
| Cash flows from investing activities | | | |
| Loan to foreign subsidiaries | | - | (4.092) |
| Net cash used in investing activities | | <u>-</u> | <u>(4.092)</u> |
| Cash flows from financing activities | | | |
| Capital contributions | 13 | - | 5.000 |
| Net cash generated from financing activities | | <u>-</u> | <u>5.000</u> |
| Net (decrease)/increase in cash, cash equivalents for the year/period | | <u>(33)</u> | <u>896</u> |
| Cash and cash equivalents at the beginning of the year/period | | - | - |
| Cash and cash equivalents at the end of the year/period | 12 | <u><u>863</u></u> | <u><u>896</u></u> |

The notes on pages 11 to 37 form an integral part of these Consolidated and Separate Financial Statements for the year ended December 31, 2018.

1. General Information

The present financial statements include the financial statements of the Company Pearl Island Holding Ltd. (the “Company”) as well as the consolidated financial statements of the Company and its subsidiaries (together the “Group”).

1.1 Country of Incorporation

The Company was established in December 15, 2016 under the laws of Cyprus as a limited company and is incorporated and domiciled in Cyprus. The address of its registered office is 10 Giannou Kranidioti Street, Nice Day House, Floor 6, Apartment 602, Nicosia.

These Consolidated and separate Financial Statements (hereafter the “Financial Statements”) for the year ended December 31, 2018 have been approved for issue by the Board of Directors on 24 July 2019.

The ultimate parent company is Grivalia Hospitality S.A., incorporated and domiciled in Luxembourg-City. The address of its registered office is 63-65, rue de Merl, L-2146 Luxembourg and is registered at the Luxembourg Commercial Register under number R.C.S. Luxembourg n B 198.264.

The Company and its subsidiaries are included in the consolidated financial statements prepared by its ultimate parent company which are available at its registered address.

1.2 Principal activities

The principal activity of the Company, is the holding of investments, including any interest earning activities.

The principal activity of the Group, is the development and sale of immovable property and related real estate services.

2. Basis of preparation

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

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2018 and are relevant to the Company’s operations have been adopted by the EU through the endorsement procedure established by the European Commission.

The principal accounting policies applied in the preparation of these financial statements are set out below in Note 4. Apart from the accounting policy changes resulting from the adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” (effective from 1 January 2018), these policies have been consistently applied to all the years presented, unless otherwise stated (refer to Notes 3, 4 and 21). The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in Note 21. The comparatives are stated based on the previous accounting policies of the Group for financial instruments and revenue recognition which are also presented below to the extent that these are different from the new accounting policies. The adoption of all of the above standards and amendments did not result in any material adjustment to the opening reserves or the comparative figures presented in these consolidated financial statements.

The financial statements have been prepared under the historical cost convention as modified by the valuation of investment property at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

3. Adoption of new or revised standards and interpretations

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 2018. The adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts” with customers has changed the accounting policies of the Group. The Group has elected the simplified approach for the adoption of the standards without restating the comparative information, which is accounted for based on previous accounting policies of the Group. The impact of adoption was immaterial

(i) IFRS 9 “Financial instruments”

The main impact of the adoption of IFRS 9 was the revision of the impairment methodology for each class of assets based on the new impairment requirements. From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses, which are subject to the new model of expected credit losses of IFRS 9: trade and other receivables, receivables from related parties and cash and cash equivalents. The revised requirements of IFRS 7 “Financial Instruments: Disclosures” have been applied only for the current period. Based on the assessment performed by Management on 1 January 2018, the impact of the adoption of IFRS 9 was immaterial. Furthermore, the adoption of IFRS 9 resulted in changes on the classification and accounting treatment of financial assets and liabilities in the Balance Sheet. The following table shows the classification categories based on IAS 39 and IFRS 9:

| Financial assets | IAS 39 classification | IAS 39 accounting treatment | IFRS 9 classification and accounting treatment |
|---------------------------|------------------------------|------------------------------------|---|
| Trade receivables | Loans and receivables | Amortised cost | Financial assets at amortised cost |
| Other receivables | Loans and receivables | Amortised cost | Financial assets at amortised cost |
| Cash and cash equivalents | Loans and receivables | Amortised cost | Financial assets at amortised cost |

(ii) IFRS 15 “Revenue from Contracts with Customers

The management proceeded in a detailed analysis of the Company’s revenue streams and contract terms for sales. Based on the assessment performed by Management on 1st January 2018, the impact of implementation of IFRS 15 was not significant. Also, the adoption of IFRS 15 did not result in changes in the presentation of the financial statements.

New and revised IFRSs not adopted by the Group

At the date of approval of these consolidated financial statements a number of new standards and amendments to standards and interpretations are effective for accounting periods beginning after 1 January 2018, and have not been applied in preparing these consolidated financial statements. These are not expected to have a significant impact for the Group.

4. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments applied till 31 December 2017 are presented in Note 21.

Basis of Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method 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 to the former owners of the acquiree 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re measurement are recognized in profit or loss.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

For the acquisition of an asset or a group of assets that does not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The cost of the group is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill.

The Company recognizes its investments in subsidiaries in separate financial statements at cost less impairment. In addition, the acquisition cost is adjusted to reflect changes in price resulting from any modifications of contingent consideration.

(b) Transactions with non-controlling interest

The Group treats transactions with non-controlling interest as transactions with equity owners of the Group. For purchases from non-controlling interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity within non-controlling interest. Gains or losses of the Group on disposals to non-controlling interest are also recorded in equity within non-controlling interest. Gains or losses of the Group from transactions with non-controlling interest with companies under common control are recorded in equity in common control reserve.

4. Summary of significant accounting policies (continued)

Revenue recognition

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company recognizes revenue when the parties have approved the contract and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance, it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

The Group does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

If the payments made by a customer exceed the services rendered under the relevant contract, a contract liability is recognized.

Revenue from rendering of services is recognised based on the stage of completion determined by reference to services performed to date as a percentage of total services to be provided. If the income from rendering of services cannot be reliably measured, only the income up to the level of the expenses to be claimed is recognized.

Foreign currency translation

(i) Functional and presentation currency

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

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".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4. 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 hyperinflationary 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 date, in which income and expenses are translated at the rate of the dates of the transactions).
- all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the closing entity and translated at the closing rate. All resulting exchange differences are recognised in other comprehensive income.

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 countries where the company and its subsidiaries operate and generate taxable income.

The Company is taxed on its taxable income based on a tax rate of 12,50% in Cyprus. The Company's foreign subsidiaries are taxed on their taxable income based on a tax rate of 17,5% in Panama.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, 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, the 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 or 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 profit will be available against which the temporary differences can be utilised.

Property, plant and equipment

All property, plant and equipment is stated in the balance sheet at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

4. Summary of significant accounting policies (continued)**Property, plant and equipment (continued)**

Depreciation, based on the component approach, is calculated so as to write off the cost of the assets, over their estimated useful lives, using the straight-line method, as follows:

| | |
|------------------------|-------------|
| Land | Nil |
| Buildings | 50 years |
| Fixtures and equipment | 4 – 9 years |

The assets' residual values and useful life are reviewed, and adjusted if appropriate, at least each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in the income statement.

Investment property

Property that is held for long-term rental yields or for capital appreciation or both, is classified as investment property and is not used by the Group. Investment property comprises properties under construction which are being developed for future use as investment property.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the investment property is substantially complete, or suspended if the development of the investment property is suspended.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are appraised as at June 30 and December 31 each year by independent professional valuers.

Investment property under construction is measured at fair value only if it can be measured reliably.

Investment property further qualified for continued use as investment property, or for which the market has become less active, continues to be valued at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows (including rental payments and other outflows) that could be expected in respect of the property. Some of those outflows are reflected as a liability; whereas others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount 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. Repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the income statement. Investment property is derecognised when disposed or when use of investment property is ended and there is no future economic benefit expected from the disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

4. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer, is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement to the extent that this gain reverses a previous impairment loss. Any remaining profit is recognized in other comprehensive income by increasing the asset revaluation reserve in equity.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to non-current assets as available for sale if they meet the criteria of IFRS 5. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Group didn't capitalize borrowing costs within the period.

Impairment of non-financial assets

Intangibles that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events and changes in circumstances indicate that they might be impaired. 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 – Classification

From 1 January 2018, the Company classifies its financial assets in those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognized when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

4. Summary of significant accounting policies (continued)

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

Financial assets – impairment – credit loss allowance for ECL

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the balance sheet net of the allowance for ECL.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

The Company applies general approach – three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 5, Credit risk section for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 5, Credit risk section.

Additionally the Company has decided to use the credit risk assessment exemption for investment grade financial assets. Refer to Note 5, Credit risk section for a description of how Company determines low credit risk financial assets.

4. Summary of significant accounting policies (continued)

Financial assets - Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery

Financial assets – modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, change in the currency denomination.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Financial liabilities – measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost.

4. Summary of significant accounting policies (continued)**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. Borrowings are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Fees paid on the 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 (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Borrowing costs are interest and other costs that the Company 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 Company and the costs can be measured reliably.

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 recognised amounts and there is an intention to settle on a net basis or realise 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.

4. Summary of significant accounting policies (continued)

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See Note 5 Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

Share capital, share premium and capital contribution

Ordinary shares and share premium are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction (net of tax), from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Capital contribution represents contributions by the shareholders directly in the reserves of the Company. The Company does not have any contractual obligation to repay these amounts.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payments is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

5. Financial risk management

(i) Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including foreign exchange risk, and fair value interest rate risk), credit risk and liquidity risk. The financial risks relate to "Trade and other receivables", "Cash and cash equivalents", "Trade and other payables" and "Other non-current liabilities". The accounting policy with respect to these financial instruments is described in Note 4.

Risk management primarily focuses on the identification and evaluation of financial risk, which includes foreign exchange risk.

• Fair value interest rate risk

The Company has significant interest-bearing assets (mainly loans receivables from related parties). The Company's exposure to fair value interest rate risk is not significant as the loans receivable do not bear any interest and are repayable on demand. Any potential change in market rates will not have a significant impact on the book value of loans receivable from related and thus neither on the Company's profit after tax.

• Foreign exchange risk

The group operates internationally. Foreign exchange risk arises due to foreign currency transactions, recognized financial assets and liabilities that are not in the functional currency of each Group company and mainly from the Group's investments in subsidiaries abroad. As at December 31 2018, the effect of foreign exchange differences was not significant.

• Credit risk

Credit risk arises mainly from cash and cash equivalents, trade receivables and loans and other receivables from related parties.

A significant increase of credit risk is justified if the debtor is more than 30 days past due on its contractual payments. A financial instrument is considered impaired when it is more than 90 days past due on its payment. Financial assets are written-off when there is no reasonable expectation of recovery, such as the failure of a debtor to engage in a repayment plan with the Group. When the receivables are written off, the Group continues to perform activities for legislation enforcement in order to retrieve the due claim. When there are recoveries, they are recognized in profit or loss.

Trade receivables

For trade receivables the Group applies policies which ensure that sales of property and services are provided to customers with the proper historical credibility. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors such as the transfer of ownership certificate of property that were sold to customers with the full repayment of the balance. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Based on the above, the expected credit losses for trade receivables at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) were not significant.

Cash and cash equivalents

For the credit risk related to cash and cash equivalents, deposits at bank and financial institutions, the Group has policies in place to ensure that cash balances are deposited with financial institutions of an acceptable credit quality. The Group calculates the expected credit losses based on external credit ratings.

5. Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

The following table contains an analysis of the gross carrying value of the Group's cash at bank, short term bank deposits and restricted cash in connection with the credit risk assessments that have been performed by external credit rating agencies. The following amounts represent the Group's maximum exposure to credit risk for these financial assets as at 31 December 2018.

| Group | € |
|--|-------------------|
| Cash at bank and short-term bank deposits | |
| AAA-A | 16 |
| CCC-C | 863 |
| Unrated | 11 |
| | <u>890</u> |
| | <u><u>890</u></u> |
| Company | € |
| Cash at bank and short-term bank deposits | |
| CCC-C | 863 |
| | <u>863</u> |
| | <u><u>863</u></u> |

The expected credit loss for cash balances as at 1 January 2018 and 31 December 2018 based on general approach of IFRS 9 was not significant. All cash and cash equivalents and restricted cash were performing-Stage 1 at 31 December 2018.

Receivables from related parties

For credit risk related to balances with related parties, the Group estimates on an individual basis its exposure to credit risk. This estimation takes into account, among others, the period over which the receivable balance is due, whether the receivable amount is past due, the expectations regarding changes in the business, financial or economic conditions and the ability of the counterparty to repay the receivable balance as well. The Group's receivables from related parties are at Stage 1 of the impairment model of IFRS 9. According to the assessment that was performed, no credit loss arises.

- **Liquidity risk**

Prudent liquidity risk management implies sufficient cash balances, availability of funding through an adequate amount of committed credit facilities and ability to close out market positions. Due to the dynamic nature of the underlying business, the Group management aims to maintain flexibility in funding by keeping adequate cash and committed credit lines available for overdrafts and time deposits.

5. Financial risk management (continued)

(i) Financial risk factors (continued)

• Liquidity risk (continued)

Group's liquidity position is monitored on a regular basis by the management. A summary table is presented below with maturity of financial assets and liabilities (the tables include undiscounted flows for interest and principal)

Group

| | Up to 1 year € | Between 1 and 2 years € | Between 2 to 5 years € | Over 5 years € |
|------------------------------|----------------------|----------------------------------|---------------------------------|----------------------|
| At 31 December 2017 | | | | |
| Financial assets | | | | |
| Trade and other receivables | 631 | - | - | - |
| Cash and cash equivalents | 4.313 | - | - | - |
| | <u>4.944</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities | | | | |
| Borrowings | 2.161 | - | - | - |
| Trade and other payables | 1.027 | 264 | - | - |
| | <u>3.188</u> | <u>264</u> | <u>-</u> | <u>-</u> |

| | Up to 1 year € | Between 1 and 2 years € | Between 2 to 5 years € | Over 5 years € |
|------------------------------------|----------------------|----------------------------------|---------------------------------|----------------------|
| At 31 December 2018 | | | | |
| Financial assets | | | | |
| Trade receivables | 136 | - | - | - |
| Financial assets at amortised cost | 816 | - | - | - |
| Cash and cash equivalents | 890 | - | - | - |
| | <u>1.842</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities | | | | |
| Borrowings | 2.265 | - | - | - |
| Trade and other payables | 1.253 | - | - | - |
| | <u>3.528</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Company

| | Up to 1 year € | Between 1 and 2 years € | Between 2 to 5 years € | Over 5 years € |
|------------------------------|----------------------|----------------------------------|---------------------------------|----------------------|
| At 31 December 2017 | | | | |
| Financial assets | | | | |
| Loans receivable | 4.015 | - | - | - |
| Cash and cash equivalents | 896 | - | - | - |
| | <u>4.911</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities | | | | |
| Trade and other payables | 20 | - | - | - |
| | <u>20</u> | <u>-</u> | <u>-</u> | <u>-</u> |

5. Financial risk management (continued)

(i) Financial risk factors (continued)

• Liquidity risk (continued)

| | Up to 1 year € | Between 1 and 2 years € | Between 2 to 5 years € | Over 5 years € |
|------------------------------------|----------------------|----------------------------------|---------------------------------|----------------------|
| At 31 December 2018 | | | | |
| Financial assets | | | | |
| Financial assets at amortised cost | 4.141 | - | - | - |
| Cash and cash equivalents | 863 | - | - | - |
| | <u>5.004</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities | | | | |
| Trade and other payables | 25 | - | - | - |
| | <u>25</u> | <u>-</u> | <u>-</u> | <u>-</u> |

(ii) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue operating in order to provide returns to shareholders, benefits to other stakeholders as well as maintain an optimal capital structure in order to reduce the cost of capital.

In order to sustain or adjust the capital structure, the Company can do one of the following: adjust the dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets.

(iii) Fair value estimation

The Group uses the following hierarchy in order to determine and disclose the fair value of financial assets and liabilities per valuation technique:

Level 1: Financial assets that are traded on active markets, the fair value of which is determined based on published market prices at the reporting date for similar assets and liabilities.

Level 2: Financial assets that are not traded on active markets, the fair value of which is determined using valuation techniques and assumptions that are either directly or indirectly based on market conditions at the reporting date.

Level 3: Financial assets that are not traded on active markets, the fair value of which is determined using valuation techniques and assumptions that are essentially not based on market data.

Refer to Note 8 for disclosures in relation to the fair value of investment property.

As at December 31, 2018, the book value of all financial assets and liabilities (trade and other receivables, loans receivables, trade and other payables and borrowings) approximates the fair value.

6. Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the company's accounting policies. 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.

(a) Critical accounting estimates and assumptions

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.

6. Critical accounting estimates and judgements (continued)

(a) Critical accounting estimates and assumptions (continued)

• **Estimation of the fair value of investment properties**

For the revaluation of investment properties the Board of Directors relies on valuations from independent external professional valuers based on the provisions of IFRS 13 "Fair Value Measurement". This revaluation requires considerable judgment to assess the maximum and optimal use of an investment property and for the significant data and assumptions used for the estimates. For the accounting calculation and the main assumptions used, refer to Note 8.

The Group evaluates investment property by taking the high and best use (HABU) of each asset wherever possible, legally permissible and financially possible, into consideration. This valuation is based on the physical characteristics of each asset, the allowed usage and the opportunity cost of each investment.

The Group uses the following hierarchy for determining and disclosing the fair value of its financial instruments for each valuation technique:

Level 1: Financial assets that are traded on active markets whose fair value is determined on the basis of quoted prices at the reporting date for identical assets or liabilities.

Level 2: Financial assets that are not traded on active markets, whose fair value is determined by using valuation techniques and assumptions based directly or indirectly on published market prices at the reporting date.

Level 3: Financial assets not traded on active markets, whose fair value is determined by the use of techniques not based on available market information.

The best evidence of fair value is based on the current prices in an active market for similar lease and other contracts. In the event that such information is unavailable, the Group's Management determines the fair value amount through a range of reasonable fair value estimates based on advice received from its independent external valuers.

In order to make such a decision, Group's Management looks at information from various sources, including the following:

- (i) Current prices in an active market for properties of a different nature, condition or location (or subject to a different lease or other contracts), adjusted to reflect those differences.
- (ii) Recent prices of similar properties in less active markets, with adjustments made to reflect any changes in economic conditions since the date of the transactions that occurred at those prices, and
- (iii) Discounted cash flow projections based on reliable estimates of future cash flows.

The Group carried sensitivity analysis on the principal assumptions underlying management's estimation regarding fair value:

1. Rates for hotels in relation to the average value per room, the occupancy rate, and general investment in hotels; rates for residences in relation to selling price per square metre and the cost of construction per square metre; and
2. the appropriate discount rates.

If the rates mentioned in (1) above varied by +/- 2.5% and the discount rate by +/- 0.5% the fair value of the investment property would vary between €83.945 thousand and €130.613 thousand (2017: €82.018 thousand and €126.459 thousand respectively).

No other areas exist where significant judgments are exercised which in turn affect the Group's financial position.

There are no other assumptions that would significantly affect the Group's financial position.

6. Critical accounting estimates and judgements (continued)

• Acquisition of subsidiaries

In December 2016 the Company acquired from its previous shareholder through a share for share exchange its investments in subsidiaries for €27.000 thousand. Details of the main assets and liabilities acquired were as follows:

| | € |
|-------------------------------|---------------|
| Investment property | 46.218 |
| Property, plant and equipment | 65 |
| Trade and other receivables | 625 |
| Cash and cash equivalents | 11 |
| Trade and other payables | (1.919) |
| Non controlling interest | (18.000) |
| Net assets | <u>27.000</u> |

Significant judgement was required to determine whether the above transaction qualified as a business combination or whether it should have been accounted for using the asset acquisition method.

The Board of Directors has assessed that as of the date of acquisition the missing elements in the various processes could not be replaced by any market participant and as such the above transaction has been accounted for as an asset acquisition in line with the provisions of IFRS 3 "Business combination". As a result the deferred tax liability upon initial recognition in relation to the assets acquired was not recognised.

7. Revenue

Group:

| | 2018 € | 2017 € |
|-------------------|--------------|--------------|
| Sales of services | <u>1.468</u> | <u>1.575</u> |

It includes income from third parties for their use of use of the Group's infrastructure and human capital on the island.

There was no change in revenue by category under revenue recognition guidance effective prior to 1 January 2018.

8. Investment property

| | 2018 € | 2017 € |
|---|---------------|---------------|
| Balance at the beginning of the year/ period | 88.174 | - |
| Additions: | | |
| Acquisition of investment property through subsidiary | - | 46.218 |
| Subsequent capital expenditure | 1.251 | 1.108 |
| Fair value gain | 29 | 45.706 |
| Translation differences | 4.203 | (4.858) |
| | <u>93.657</u> | <u>88.174</u> |

8. Investment property (continued)

The Group's investment property is measured at fair value. Investment property includes Isla Pedro Gonzalez (Pearl Island) in Panama. The Group received from HVS Global Hospitality Services, a consulting firm specialized in appraisals in the hospitality industry, an evaluation of the project as at December 31, 2018.

The Group's finance department includes a team that review the valuations of investment properties at least every six months. This team reports directly to the Chief Financial Officer (CFO). Discussions in relation to the valuation process and results are held between the CFO and the Board of Directors at least once every six months. At each financial year end the finance department:

- (i) Verifies all major inputs and assumptions used for the valuation report;
- (ii) Assesses property valuation movements when compared to the prior year valuation report; and
- (iii) Holds discussions with the Board of Directors.

The valuation of investment properties has been based on significant unobservable inputs and is therefore a level 3 valuation. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

9. Investment in subsidiaries

| | 2018 € | 2017 € |
|--|----------------------|----------------------|
| Balance at the beginning of the year/period | 27.000 | - |
| Additions | - | 27.000 |
| Balance at the end of the year/period | <u>27.000</u> | <u>27.000</u> |

For further information on investment in subsidiaries refer to Note 6.

The Group's interests in its subsidiaries, which are unlisted, were as follows:

| Name | Principal activity | 2018 % holding | 2017 % holding |
|------------------------------|---|-------------------|-------------------|
| Zoniro Panama S.A. | Project Administration Services | 60% | 60% |
| Don Bernardo Hotel S.A. | Development of Tourism Real Estate Projects | 60% | 60% |
| Pearl Island Limited S.A. | Development of Tourism Real Estate Projects | 60% | 60% |
| Pearl Island Utikity S.A. | Project Administration Services | 60% | 60% |
| Pearl Island Airport S.A. | Airfield Services | 60% | 60% |
| Don Bernardo Residences S.A. | Development of Tourism Real Estate Projects | 60% | 60% |

9. Investment in subsidiaries (continued)

The summarised financial information for subsidiaries with material non-controlling interests are presented below:

Summarised balance sheet:

| | Zoniro Panama S.A. As at 31 December | | Don Barnardo Hotel S.A. As at 31 December | | Pearl Island Limited S.A. As at 31 December | |
|--------------------|---|----------------|--|----------------|--|---------------|
| | 2018 € | 2017 € | 2018 € | 2017 € | 2018 € | 2017 € |
| Assets | 935 | 653 | 58.804 | 2.712 | 1.036 | 1.075 |
| Liabilities | 4.831 | 2.496 | 4.117 | 3.875 | 1.512 | 1.211 |
| Total | (3.520) | (1.843) | 54.687 | (1.163) | (476) | (137) |
| Non-current | | | | | | |
| Assets | 562 | 687 | 1.832 | 53.502 | 36.142 | 34.014 |
| Liabilities | 186 | 180 | - | - | - | - |
| Total | 376 | 507 | 1.832 | 53.502 | 36.142 | 34.014 |
| Net assets | (3.144) | (1.336) | 56.519 | 52.339 | 35.666 | 33.878 |
| Third parties - % | 40% | 40% | 40% | 40% | 40% | 40% |
| Third parties | (1.258) | (534) | 22.608 | 20.936 | 14.266 | 13.551 |

Summarised statement of comprehensive income:

| | Zoniro Panama S.A. As at 31 December | | Don Barnardo Hotel S.A. As at 31 December | | Pearl Island Limited S.A. As at 31 December | |
|--|---|--------------|--|---------------|--|---------------|
| | 2018 € | 2017 € | 2018 € | 2017 € | 2018 € | 2017 € |
| Revenue | (1.995) | 1.575 | (1) | - | (188) | 3 |
| Fair value adjustment on investment property | (139) | 340 | (176) | 26.349 | 344 | 19.039 |
| Profit/(loss) for the year | (2.134) | (674) | (177) | 26.348 | 156 | 18.906 |
| Other comprehensive income (loss) | (52) | - | 2.525 | - | 1.633 | - |
| Total comprehensive income (loss) | (2.185) | (674) | 2.348 | 26.348 | 1.789 | 18.906 |
| Total comprehensive income/(loss) allocated to non- controlling interests | (874) | (274) | 939 | 10.539 | 716 | 7.562 |

9. Investment in subsidiaries (continued)

Summarised statement of cash flows:

| | Zoniro Panama S.A. As at 31 December | | Don Barnardo Hotel S.A. As at 31 December | | Pearl Island Limited S.A. As at 31 December | |
|---|---|-----------|--|--------------|--|------------|
| | 2018 € | 2017 € | 2018 € | 2017 € | 2018 € | 2017 € |
| Net cash from/(used in) operating activities | 304 | (1.595) | (1.702) | 203 | (743) | (320) |
| Net cash from/(used in) investing activities | (330) | 1.632 | (917) | 2.423 | - | 1.065 |
| Net increase/ (decrease) in cash, cash equivalents | (26) | 37 | (2.619) | 2.626 | (743) | 745 |
| Cash and cash equivalents at beginning of the year | 39 | 2 | 2.626 | 2 | 750 | 5 |
| Cash and cash equivalent at year end | 13 | 39 | 7 | 2.628 | 7 | 750 |

10. Trade and other receivables

The analysis of trade and other receivables is as follows:

| | Group 2018 € | Company 2018 € |
|---|--------------------|----------------------|
| Trade receivables | 136 | - |
| Other receivables | 38 | 2 |
| Receivables from related parties (Note 19) | 778 | - |
| Loans receivables (Note 19) | - | 4.139 |
| Total financial assets at amortised cost | 952 | 4.141 |
| | 2017 € | 2017 € |
| Trade receivables | 40 | - |
| Receivables from related parties (Note 19) | 451 | - |
| Loans receivables (Note 19) | - | 4.015 |
| Other receivables | 141 | - |
| Trade and other receivables | 631 | 4.015 |

11. Loans receivable

Loans receivable for the Company as at December 31, 2017, relating to a shareholder's loan given to the Panamanian companies. The shareholder's loan is interest free and received on demand.

12. Cash and cash equivalents

The analysis of cash and cash equivalents is as follows:

| | Group 2018 | Company 2018 |
|--------------------------------------|---------------|-----------------|
| Cash at bank and short-term deposits | 890 | 863 |
| | <u>890</u> | <u>863</u> |
| | 2017 | 2017 |
| | € | € |
| Cash at bank and short-term deposits | 4.313 | 896 |
| | <u>4.313</u> | <u>896</u> |

Cash and bank balances are denominated in the following currencies:

| | Group 2018 | Company 2018 |
|---|---------------|-----------------|
| Euro – functional and presentation currency | 863 | 863 |
| US Dollar | 27 | - |
| | <u>890</u> | <u>863</u> |
| | 2017 | 2017 |
| | € | € |
| Euro – functional and presentation currency | 896 | 896 |
| US Dollar | 3.417 | - |
| | <u>4.313</u> | <u>896</u> |

13. Share capital, share premium and capital contributions

The Group's shareholder equity is analysed as follows:

| | Number of Shares (thousands) | Share capital | Share Premium |
|--|------------------------------------|------------------|------------------|
| Balance January 1, 2017 | | | |
| Issuance of new shares | 4 | 4 | 26.998 |
| Balance December 31, 2017/ January 1, 2018/ December 31, 2018 | <u>4</u> | <u>4</u> | <u>26.998</u> |

The total authorised number of ordinary shares as at December, 31, 2018, is 5.000 (2017: 5.000) with a par value of €4 per share. 4.000 shares are fully paid up amounting to €4.000. On incorporation 2.000 shares were issued with a par value of €1 per share (total €2.000 thousand). On December 16, 2016 an additional 2.000 shares were issued with a par value of €13.500 per share (total €27.000 thousand).

On April 25th, 2017 the Extraordinary Shareholder Meeting of the Company decided to allot up to 1.000 shares each with a nominal value of €1 and each at a premium of up to €9.999 to its sole shareholder Grivalia Hospitality S.A. in consideration of any amounts of up to €10.000 thousand by the end of 2017. €5.000 thousand have been contributed upto December 31, 2018.

14. Trade and other payables

The analysis of trade and other payables is as follows:

| | Note | Group 2018 € | Company 2018 € |
|--------------------------------|------|--------------------|----------------------|
| Trade payables | | 489 | |
| Other payables and accruals | | 417 | 25 |
| Amounts due to related parties | 19 | 347 | - |
| | | <u>1.253</u> | <u>25</u> |
| | | 2017 € | 2017 € |
| Trade payables | | 486 | - |
| Other payables and accruals | | 322 | 20 |
| Amounts due to related parties | 19 | 219 | - |
| | | <u>1.027</u> | <u>20</u> |

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

15. Borrowings

Borrowings for the Group as at December 31, 2018, amounting to €2.265 thousand (2017: €2.161 thousand) relate to a shareholder's loan received by the Panamanian companies (subsidiaries). The shareholder's loan is interest free and payable on demand.

16. Expenses by nature

Expenses comprise the following:

| | Group | | Company | |
|---|--------------|--------------|-----------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | € | € | € | € |
| Repairs and maintenance | 47 | 53 | - | - |
| Insurance | - | 29 | - | - |
| Property permits | - | 14 | - | - |
| Salaries, wages and allowances | 822 | 746 | - | - |
| Social security costs | 327 | 165 | - | - |
| Other benefits | 49 | 198 | - | - |
| Corporate Social Responsibility | - | 15 | - | - |
| Depreciation of property, plant and equipment | 22 | 38 | - | - |
| Professional fees | 146 | 327 | 4 | 3 |
| Auditors' remuneration | 70 | 20 | 25 | 20 |
| Advertising and promotion | 25 | 7 | - | - |
| Non deductible VAT | - | 6 | - | - |
| Other administration expenses | 2.170 | 1.151 | 7 | 11 |
| | <u>3.678</u> | <u>2.769</u> | <u>36</u> | <u>34</u> |

The total fees charged by the Group's statutory auditor for the year ended 31 December 2018 for tax advisory services amounted to €10.000.

17. Employee benefit expense

| | Group | | Company | |
|---|--------------|---|-----------|---|
| | 2018 € | Period from 15 December 2016 to 31 December 2017 € | 2018 € | Period from 15 December 2016 to 31 December 2017 € |
| Salaries, wages and allowances | 822 | 746 | - | - |
| Social security costs | 327 | 165 | - | - |
| Other benefits | 49 | 198 | - | - |
| Employee benefit expense | 1.198 | 1.109 | - | - |
| Average number of staff employed during the year/period | 57 | 65 | - | - |

18. Contingencies

(a) Income taxes

The Board of Directors recognized liabilities for anticipated tax issues based on estimations as to whether additional taxes will arise. According to the estimations of the Board of Directors no significant differences are expected in relation to provisions for corporate tax, deferred tax liabilities and other indirect taxes.

19. Related party transactions

On incorporation the Company was controlled by Dolphin Capital Investors Limited (DCI). On March 14, 2017, Grivalia Hospitality S.A. acquired 100% of the issued shares of the Company from DCI and became the holding company and ultimate controlling party of the Company. Grivalia Hospitality S.A. is jointly controlled by Grivalia Properties REIC (25%), Eurolife ERB Insurance Group (25%), M&G investments (50%). As of May 17, 2019, Grivalia Properties REIC was acquired by Eurobank Ergasias S.A.

The following transactions were carried out with related parties:

(a) Sales and purchase of services

| | Group | | Company | |
|------------------------------|------------|---|-----------|---|
| | 2018 € | Period from 15 December 2016 to 31 December 2017 € | 2018 € | Period from 15 December 2016 to 31 December 2017 € |
| Sales of services: | | | | |
| Other related parties | 676 | 1.231 | - | - |
| | 676 | 1.231 | - | - |
| Purchase of services: | | | | |
| Other related parties | 183 | 197 | - | - |
| | 183 | 197 | - | - |

19. Related party transactions (continued)

(b) Year-end balances

| | Group | | Company | |
|--|------------|------------|-----------|-----------|
| | 2018 € | 2017 € | 2018 € | 2017 € |
| Receivables from related parties: | | | | |
| Other related parties | 778 | 451 | 2 | - |
| | <u>778</u> | <u>451</u> | <u>2</u> | <u>-</u> |
| Purchase of services: | | | | |
| Other related parties | 347 | 219 | - | - |
| | <u>347</u> | <u>219</u> | <u>-</u> | <u>-</u> |

(c) Loans to related parties

| | Group | | Company | |
|------------------------------|-----------|-----------|--------------|--------------|
| | 2018 € | 2017 € | 2018 € | 2017 € |
| Loans to subsidiaries | | | | |
| At beginning of year/period | - | - | 4.105 | - |
| New loans | - | - | - | 4.105 |
| Foreign exchange differences | - | - | 34 | - |
| At end of year/period | <u>-</u> | <u>-</u> | <u>4.139</u> | <u>4.105</u> |

Loans to subsidiaries as at December 31, 2017 relates to a shareholder's loan given from the Company to the Panamanian subsidiaries. The shareholder's loan is interest free and received on demand.

(d) Borrowings from related parties

| | Group | | Company | |
|------------------------------------|--------------|---|-----------|---|
| | 2018 € | Period from 15 December 2016 to 31 December 2017 € | 2018 € | Period from 15 December 2016 to 31 December 2017 € |
| Loans from related parties: | | | | |
| At beginning of year/period | 2.161 | - | - | - |
| New loans | - | 2.161 | - | - |
| Foreign exchange differences | 104 | - | - | - |
| At end of year/period | <u>2.265</u> | <u>2.161</u> | <u>-</u> | <u>-</u> |

Borrowings from subsidiaries as at December, 31, 2018 relates to a shareholder's risk free loan received from the Panamanian subsidiaries.

19. Related party transactions (continued)

(e) Commitments and contingent liabilities

There were no commitments and contingent liabilities between the Company and related parties.

(f) Capital contribution

On April 27, 2017 the shareholder made a capital contribution to the Company amounting € 5.000 thousands.

20. Events after the balance sheet date

On November 26, 2018, the merger through absorption of Grivalia Properties REIC by Eurbank Ergasias S.A. was announced. The merger was completed on May 17, 2019 making Eurobank Ergasias S.A. the owner of the Company.

There were no other significant events that have taken place after December 31, 2018, which affect either the Group or the Company's financial position that need to be mentioned according to the International Financial Reporting Standards.

21. Accounting policies before 1 January 2018

Accounting policies applicable to the comparative year ended 31 December 2018 that were amended by IFRS 9, are as follows:

Financial assets

(i) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables. 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 Company's loans and receivables comprise "trade receivables", "loan receivable", "other receivables", "cash and cash equivalents" and "bank deposits with original maturity above 3 months" in the balance sheet.

Impairment of financial assets

The Company assesses 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.

21. Accounting policies before 1 January 2018 (continued)

Financial assets (continued)

(i) Classification (continued)

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 measured 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 a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

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 rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method, unless the effects of discounting are not material, 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. 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 initial effective interest rate.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash deposits held with banks with original maturities of approximately three months or less.

Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for the sale of goods and services in the ordinary course of the Company's activities, net of value added taxes, returns and discounts.

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

(a) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to 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.

21. Accounting policies before 1 January 2018 (continued)

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.

Fees paid on the 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 (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

A substantial modification of the terms of an existing financial liability or a part of it is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Any gain or loss on extinguishment is recognised in profit or loss except to the extent that it arises as a result of transactions with shareholders acting in their capacity as shareholders when it is recognised directly in equity. The terms are considered to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. Any costs or fees incurred are recognised as part of the gain or loss on the extinguishment.

Borrowing costs are interest and other costs that the Company 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 Company and the costs can be measured reliably.

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

Independent Auditor's Report on pages 38 to 40.



Independent Auditor's Report

To the Members of Pearl Island Holdings Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated financial statements of Pearl Island Holdings Limited (the "Company"), and its subsidiaries (the "Group") and the accompanying separate financial statements of the Company (together the "consolidated and separate financial statements"), which are presented in pages 1 to 37 and comprise the consolidated balance sheet and separate balance sheet as at 31 December 2018, and the consolidated income statement and consolidated statements of comprehensive income, changes in shareholders' equity and cash flows, and the separate income statement and separate statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of the Group and the Company as at 31 December 2018, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 and Separate Financial Statements section of our report. 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 consolidated and separate financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of the Board of Directors for the Consolidated and Separate Financial Statements

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

In preparing the consolidated and separate 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's and financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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


- Identify and assess the risks of material misstatement of the consolidated and separate 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 the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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 and separate 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 and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- 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 and separate 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 the Board of Directors 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.

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 69 of the Auditors Law of 2017 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.



Theodoros Stylianou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 24 July 2019