Pearl Island Holdings Limited

Report and consolidated financial statements
31 December 2019

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Pearl Island Holdings Limited

Board of Directors and other officers

Board of Directors

NAP Directors Ltd (appointed 23/05/2019)
Panagiotis Aristeidis Varfis
Charalampos Anastaselos
Stefanos Dionysios Vlastos (resigned 23/05/2019)

Company Secretary

NAP Secretarial Ltd
Giannou Kranidioiti 10
Nice day House, floor 6, flat 602
1065, Nicosia
Cyprus

Registered office

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Independent Auditor's Report

To the Members of Pearl Island Holdings Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Pearl Island Holdings Limited (the "Company"), and its subsidiaries (the "Group"), which are presented in pages 5 - 43 and comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidate financial performance and its consolidated 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 financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated 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.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves 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 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 Group'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, 30 July 2020

Pearl Island Holdings Limited

Consolidated income statement for the year ended 31 December 2019

	Note	**2019 €**	2018 €
Revenue	8	**638.172**	1.468.244
Administrative expenses	10	**(2.624.614)**	(3.687.966)
Other income		**-**	117
Other gains - net	9	**211.150**	153.937
Operating loss		**(1.775.292)**	(2.065.668)
Finance costs	12	**(26.803)**	(524)
Loss before income tax		**(1.802.095)**	(2.066.192)
Income tax expense	13	**(15.537)**	(112)
Loss for the year		**(1.817.632)**	(2.066.304)
Loss attributable to:			
Equity holders of the Company		**(1.165.147)**	(1.245.742)
Non-controlling interest		**(652.485)**	(820.562)
		(1.817.632)	(2.066.304)

The notes on pages 10 to 43 are an integral part of these consolidated financial statements.

Pearl Island Holdings Limited

Consolidated statement of comprehensive income for the year ended 31 December 2019

	2019 €	2018 €
Loss for the year	**(1.817.632)**	(2.066.304)
Other comprehensive income:		
Foreign exchange differences	**1.750.093**	4.175.182
	1.750.093	4.175.182
Other comprehensive income for the year, net of tax	**1.750.093**	4.175.182
Total comprehensive (loss)/income for the year	**(67.539)**	2.108.878
Attributable to:		
Equity holders of the Company	**(115.091)**	1.286.335
Minority interest	**47.552**	822.543
	(67.539)	2.108.878

The notes on pages 10 to 43 are an integral part of these consolidated financial statements.

Pearl Island Holdings Limited

Consolidated balance sheet
at 31 December 2019

	Note	2019 €	2018 €
Assets			
Non-current assets			
Property, plant and equipment	14	**413.898**	9.853
Investment property	16	**97.708.159**	93.657.424
		98.122.057	93.667.277
Current assets			
Trade receivables	18	**145.505**	18.786
Financial assets at amortised cost	18	**64.730**	932.907
Tax refundable		**26.744**	-
Cash and cash equivalents	19	**133.623**	889.924
		370.602	1.841.617
Total assets		**98.492.659**	95.508.894
Equity and liabilities			
Capital and reserves			
Share capital	20	**4.000**	4.000
Capital contributions		**6.400.000**	5.000.000
Share premium	20	**26.998.000**	26.998.000
Currency translation reserve	21	**716.701**	(333.355)
Retained earnings		**24.488.755**	25.653.902
		58.607.456	57.322.547
Non-controlling interest		**34.791.514**	34.743.962
Total equity		**93.398.970**	92.066.509
Non-current liabilities			
Lease liabilities	15	**319.821**	-
Contract liabilities	8	**172.896**	186.373
		492.717	186.373
Current liabilities			
Trade and other payables	23	**1.264.727**	989.887
Current income tax liabilities		**-**	874
Lease liabilities	15	**100.521**	-
Borrowings	22	**3.235.724**	2.265.251
		4.600.972	3.256.012
Total liabilities		**5.093.689**	3.442.385
Total equity and liabilities		**98.492.659**	95.508.894

On 30 July 2020 the Board of Directors of Pearl Island Holdings Limited authorised these consolidated financial statements for issue.

Panagiotis Aristeidis Varfis, Director

Charalampos Anastaselos, Director

The notes on pages 10 to 43 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019

	Note	Share capital €	Capital contributions €	Share premium €	Currency translation reserve €	Retained earnings(1) €	Minority Interest €	Total €
Balance at 1 January 2018		4.000	5.000.000	26.998.000	(2.865.432)	26.899.644	33.921.419	89.957.631
Comprehensive loss								
Loss for the year		-	-	-	-	(1.245.742)	(820.562)	(2.066.304)
Other comprehensive income								
Currency translation differences	21	-	-	-	2.532.077	-	1.643.105	4.175.182
Total comprehensive income for the year		-	-	-	2.532.077	(1.245.742)	822.543	2.108.878
Balance at 31 December 2018/1 January 2019		4.000	5.000.000	26.998.000	(333.355)	25.653.902	34.743.962	92.066.509
Comprehensive loss								
Loss for the year		-	-	-	-	(1.165.147)	(652.485)	(1.817.632)
Other comprehensive income								
Currency translation differences	21	-	-	-	1.050.056	-	700.037	1.750.093
Total comprehensive (loss)/income for the year		-	-	-	1.050.056	(1.165.147)	47.552	(67.539)
Transactions with owners								
Contributions from shareholders		-	1.400.000	-	-	-	-	1.400.000
Balance at 31 December 2019		4.000	6.400.000	26.998.000	716.701	24.488.755	34.791.514	93.398.970

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

The notes on pages 10 to 43 are an integral part of these consolidated financial statements.

Pearl Island Holdings Limited

Consolidated statement of cash flows
for the year ended 31 December 2019

	Note	2019 €	2018 €
Cash flows from operating activities			
Loss before income tax		**(1.802.095)**	(2.066.193)
Adjustments for:			
Interest expense	12	**26.803**	524
Fair value gain on investment property	16	**(354.652)**	(29.172)
Depreciation of property, plant and equipement	14	**101.054**	21.687
Foreign exchange differences		**51.447**	76.183
Interest expense	12	**11.119**	-
		(1.966.324)	(1.996.971)
Changes in working capital:			
Trade receivables		**(126.719)**	(320.741)
Trade and other payables		**261.363**	142.480
Contract liabilites		**-**	6.484
Financial assets at amortised cost		**868.177**	-
Cash used in operations		**(963.503)**	(2.168.748)
Tax paid		**(16.411)**	(71)
Net cash used in operating activities		**(979.914)**	(2.168.819)
Cash flows from investing activities			
Purchases of property, plant and equipment	14	**(873)**	(2.782)
Addition on investment property	16	**(1.966.672)**	(1.250.750)
Interest paid		**(26.803)**	(524)
Net cash used in investing activities		**(1.994.348)**	(1.254.056)
Cash flows from financing activities			
Contributions from shareholders	20	**1.400.000**	-
Borrowings from related parties	25	**924.083**	-
Interest paid		**(11.119)**	-
Principal elements of lease payments	15	**(95.003)**	-
Net cash from financing activities		**2.217.961**	-
Net decrease in cash and cash equivalents		**(756.301)**	(3.422.875)
Cash and cash equivalents at beginning of year		**889.924**	4.312.799
Cash and cash equivalents at end of year	19	**133.623**	889.924

The notes on pages 10 to 43 are an integral part of these consolidated financial statements.

Pearl Island Holdings Limited

Notes to the consolidated financial statements

1 General information

Country of incorporation

The Company is incorporated and domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Giannou Kranidioiti 10, Nice day House, floor 6, flat 602, 1065, Nicosia, Cyprus.

Principal activities

The principal activities of the Group, which are unchanged from last year, is the development and sale of immovable property and related real estate services.

2 Basis of preparation

The consolidated financial statements of the Group 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 consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2019 and are relevant to the Company's operations have been adopted by the EU through the endorsement procedure established by the European Commission.

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

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 7.

Going concern

In assessing the Group's status as a going concern the Directors considered the current intentions and financial position of the Group. Although the Group had net current liabilities at 31 December 2019 and a net loss for the year then ended, events which indicate that there is significant material uncertainty which may cast significant doubt on the ability of the Group to continue as a going concern, the Directors have considered a letter of support obtained from Grivalia Hospitality S.A., the Group's parent company.

Going concern (continued)

Going concern (continued)

The parent company has undertaken to provide the Group, if necessary, with financial and other support so as to enable the Group to conduct its operations and meet its obligations as they become due. The Directors therefore consider that the Group will continue as a going concern and that the financial statements are appropriately prepared on a going concern basis.

Basis of consolidation

(i) 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 recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised 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 unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Pearl Island Holdings Limited

Basis of consolidation (continued)

(i) Subsidiaries (continued)

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Transactions and non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3 Adoption of new or revised standards and interpretations

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning 1 January 2019. This adoption did not have a significant effect on the accounting policies of the Group, with the exception of the following:

- IFRS 16 "Leases"

IFRS 16 "Leases"

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting as permitted under the transitional provisions of standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised on the opening balance sheet on 1 January 2019. Accordingly the comparative information is prepared and disclosed in accordance with IAS 17 "Leases

The adoption of IFRS 16 impacted the Group's accounting policies for leases in which it is acting as a lessee. The Group's new accounting policies following adoption of IFRS 16 at 1 January 2019 are set out in Note 4.

3 Adoption of new or revised standards and interpretations (continued)

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 for which it was acting as a lessor. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5,5%.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous in assessing whether the right-of-use asset is impaired;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease."

The following table represents a reconciliation of the operating lease commitments as of 31 December 2018 and the lease liability recognised at 1 January 2019:

	1 January 2019 €
Operating lease commitments disclosed as at 31 December 2018	-
Recognition of leases during the year	504.226
	504.226
Lease liability recognised as at 1 January 2019	
Of which are:	
Current lease liabilities	83.884
Non-current lease liabilities	420.342
	504.226

The Group recognised right-of-use assets of €504.226 as at 1 January 2019. These were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

3 Adoption of new or revised standards and interpretations (continued)

	Increase/ (decrease) €
Right-of-use assets	504.226
Lease liabilities	504.226

The net impact on retained earnings on 1 January 2019 was insignificant.

The assessment of the impact of adoption of IFRS 16 on the Group's accounting policies as well as the calculation of the lease liability and associated right-of-use assets as at the date of transition required management to make certain critical judgments in the process of applying the principles of the new standard. These judgments did not have a significant effect on management's conclusion.

4 Summary of significant accounting policies

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

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Group 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 Group includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Group's experience with similar contracts and forecasted sales to the customer.

The Group recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Group can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract), it is probable that the Group 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 Group's contracts with customers.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Group considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the income statement in the period in which the circumstances that give rise to the revision become known by management.

Revenue (continued)

Recognition and measurement (continued)

Identification of performance obligations

The Group 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 Group'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).

Sale of services

Revenue from rendering of services is recognised over time while the Group satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes an hourly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

Employee benefits

The Group and the employees contribute to the Government Social Insurance Fund based on employees' salaries.

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognized termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS37 an involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

4 Summary of significant accounting policies (continued)

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(iii) Group companies

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

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) 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 country in which the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

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.

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

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

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

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.

Pearl Island Holdings Limited

4 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Land is not depreciated. Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values, over their estimated useful lives. For leasehold offices the right-of-use asset is recognised over the term of each separate lease term. The annual depreciation rates are as follows:

	%
Land	Nil
Buildings	50 years
Fixtures and equipment	4 - 9 years

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

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

Expenditure for repairs and maintenance of property, plant and equipment is charged to the profit or loss of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or 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.

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

Leases

The Group is the lessee

Until 31 December 2018, leases of property, plant and equipment were classified as either finance leases or operating leases. In particular, leases of property, plant and equipment where the Group as lessee had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment was allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, were included in borrowings. The interest element of the finance cost zwere charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

Leases (continued)

The Group is the lessee (continued)

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group, with limited exceptions as set out below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

4 Summary of significant accounting policies (continued)

Leases (continued)

The Group is the lessee (continued)

Any remeasurement of the lease liability arising if the cash flows change based on the original terms and conditions of the lease results in a corresponding adjustment to the right-of-use asset. The adjustment can be positive or negative.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

Right-of-use assets are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

Lease liabilities are presented as separate lines on the face of the balance sheet. Right-of-use assets are classified as property, plant and equipment.

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.

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.

Investment property (continued)

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.

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 safe 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

Assets 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.

Pearl Island Holdings Limited

4 Summary of significant accounting policies (continued)

Financial assets

Financial assets - Classification

The Group classifies its financial assets to those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group 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 Group 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 Group has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Company measures financial assets classified at amortised cost at their fair value plus incremental transaction costs that are directly attributable to the acquisition of the financial assets. Subsequently, these are measured at amortised cost.

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

The subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as follows:

- 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. The Group's 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 (continued)

Financial assets – impairment – credit loss allowance for ECL

The Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost. The Group 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'.Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

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

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

For trade receivables the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial instruments that are subject to impairment under IFRS 9, the Group applies general approach – three stage model for impairment. The Group 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 Group 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 6, Credit risk section for a description of how the Group determines when a SICR has occurred. If the Group 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 Group definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

Additionally the Group has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to Note 6, Credit risk section for a description of how the Group determines low credit risk financial assets.

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.

4 Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets – write-off

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

Financial assets – modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group 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.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group 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 Group 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 Group 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 Group 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. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Group. 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.

4 Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets at amortised cost (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 Group 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 Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See Note 6 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 Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the income statement as "Other income". Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit - impaired financial assets – Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Financial liabilities – measurement categories

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

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 Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

4 Summary of significant accounting policies (continued)

Borrowings (continued)

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.

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.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment 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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to set off 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 Group or the counterparty.

Transactions with equity owners/subsidiaries

The Group enters into transactions with shareholders and subsidiaries. When consistent with the nature of the transaction, the Group's accounting policy is to recognise any gains or losses with equity holders and other entities which are under the control of the ultimate shareholder, directly through equity and consider these transactions as the receipt of additional capital contributions or the payment of dividends. Similar transactions with other parties other than shareholders, are recognised through the profit or loss.

4 Summary of significant accounting policies (continued)

Share capital and share premium

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

Capital contribution constitutes contributions made by the Group's shareholders other than for the issue of shares by the Group in their capacity as equity owners of the Group for which the Group has no contractual obligation to repay them. Such contributions are recognised directly in equity as they constitute transactions with equity owners in their capacity as equity owners of the Group

Provisions

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

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

5 New accounting pronouncements

At the date of approval of these financial statements a number of new standards interpretations and amendments to existing standards are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the financial statements of the Group.

6 Financial risk management

(i) Financial risk factors

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

The Group does not have a formal risk management policy programme. Instead the susceptibility of the Group to financial risks such as foreign exchange risk, credit risk and liquidity risk is monitored as part of its daily management of the business.

Market risk

- **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 the Group and mainly from the Group's investments in subsidiaries. As at 31 December 2019 and 2018, the effect of foreign exchange differences was not significant.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. The Group does not have formal arrangements for hedging this foreign exchange risk.

- **Fair value interest rate risk**

The Group has significant interest-bearing assets (mainly loans receivables from related parties). The Group'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 carrying value of loans receivable from related and thus neither on the Group's profit after tax.

- **Credit risk**

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

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, independently rated parties with a satisfactory credit rating are preferred. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

(ii) Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- trade receivables;
- financial assets at amortised cost (receivables from related parties and other receivables); and
- cash and cash equivalents

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

Significant increase in credit risk. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the counterparty
- significant increases in credit risk on other financial instruments of the same counterparty
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparty in the group.

There is no significant concentration of credit risk with respect to cash and cash equivalents, as the Group holds cash accounts in a large number of financial institutions, internationally dispersed.

Write-off. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. Also the Group categorises a debt financial asset for write off when a debtor fails to make contractual payments. Where debt financial assets have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group does not have any material debt financial assets that are subject to the impairment requirements of IFRS 9 and their contractual cash flows have been modified.

The Group uses the following categories for trade receivables, receivables from related parties, cash and cash equivalents which reflect their credit risk and how the loss provision is determined for each of those categories. For counterparties which are externally rated, the Group uses external credit ratings.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2019 was determined to be insignificant.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that are there is no reasonable expectation of recovery include, amogst others, the failure of a debtor to engage in a repayment plan with the Company.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	Counterparties where credit risk is in line with original expectations	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Underperforming	Counterparties for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off	None

The Group provides for credit losses against trade receivables, receivables from related parties, other receivables and cash and cash equivalents. The following tables contains an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised. The gross carrying amounts below also represents the Group's maximum exposure to credit risk on these assets as at 31 December 2019 and 31 December 2018.

Trade receivables

Company internal credit rating	2019 €	2018 €
Performing	145.505	18.786

Receivables from related parties

Company internal credit rating	2019 €	2018 €
Performing	32.196	778.412

Other receivables

Company internal credit rating	2019 €	2018 €
Performing	32.534	154.495

Cash and cash equivalents

	External credit rating	2019 €	2018 €
Performing	BBB-B	20.423	16.431
Performing	CCC-C	105.623	862.702
Credit rating not available (performing)	Not applicable	7.577	10.791
		133.623	889.924

No significant changes to estimation techniques or assumptions were made during the reporting period.

Pearl Island Holdings Limited

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Liquidity risk**

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

	Up to 1 year €	Between 1 and 2 years €	Between 2 to 5 years €	Over 5 years €
At 31 December 2018				
Borrowings	2.265.251	-	-	-
Trade and other payables	989.887	-	-	-
	3.255.138	-	-	-

	Up to 1 year €	Between 1 and 2 years €	Between 2 to 5 years €	Over 5 years €
At 31 December 2019				
Borrowings	3.235.724	-	-	-
Trade and other payables	1.264.727	-	-	-
Lease liability	102.568	59.129	36.145	219.050
	4.603.019	59.129	36.145	219.050

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

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

6 Financial risk management (continued)

(iii) Fair value estimation (continued)

Refer to Notes 7 and 16 for disclosures in relation to the fair value of investment property.

(iv) Offsetting financial assets and liabilities

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

7 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.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There were no 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.

(ii) Critical judgements in applying the Company's accounting policies

- **Revaluation of investment property**

For the valuation 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". IFRS 13 requires that the fair value of non-financial assets is calculated based on its highest and best use taking into accountthe use of the asset from the perspective of market participants which are:

- Physically possible - takes into account the physical characteristics of the asset which would be taken into account by market participants (for example, property location or size);
- Legally permissible - takes into account the legal restrictions on the asset's use which would be taken into account by market participants (for example, planning or zoning regulations); and

7 Critical accounting estimates and judgements (continued)

(i) Critical accounting estimates and assumptions (continued)

- **Revaluation of investment property (continued)**

- Economically feasible to use - takes into account whether the use of the asset that is physically possible and legally permissible generates adequate income or cash flows (considering the cost of converting the asset for that use) to achieve a return on investment that market participants would require from an investment in a similar property through the specific use.

This reassessment requires significant judgement to determine the highest and best use.

If the Board of Directors considers that the criteria of IFRS 13 are met and that it can be reasonably assessed that the development of the project is economically feasible based on the current economic conditions, in addition to being physically possible and legally permissible, then the fair value of the investment property is determined on future cash inflows from the development of the project. The Board of Directors has assessed that, based on the criteria of IFRS 13 and taking into account the new economic conditions, it can be reasonably assessed that the highest and best use of these properties is their development as a real estate development project.

The main assumptions used to estimate the fair value of the investment properties are disclosed in Note 16.

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 US$113.800.000 to US$99.400.000 (€101.452.450 to €88.614.881).

8 Revenue

	2019 €	2018 €
Sales of services	638.172	1.468.244

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

(b) Liabilities related to contracts with customer

	2019 €	2018 €
Non-current		
Contract liabilities	172.896	186.373

9 Other gains - net

	2019 €	2018 €
Investment property:		
Fair value gains (Note 16)	354.652	29.172
Net foreign exchange transaction (losses)/gains	(143.502)	124.765
Total other gains - net	**211.150**	153.937

10 Expenses by nature

	2019 €	2018 €
Rent expense	25.063	115.799
Professional fees	94.633	83.713
Depreciation of property, plant and equipment (Note 14)	101.054	21.687
Repairs and maintenance	15.256	47.098
Insurance	33.516	-
Auditors' remuneration	59.886	90.299
Staff costs (Note 11)	925.045	1.198.045
Advertising and promotion	5.486	-
Operational expenses	1.255.691	1.823.734
Other expenses	108.984	307.591
Total administrative expenses	**2.624.614**	3.687.966

11 Staff costs

	2019 €	2018 €
Salaries	585.211	821.827
Social insurance costs	295.598	326.740
Provident fund contributions	44.236	49.478
	925.045	1.198.045

12 Finance costs

	2019 €	2018 €
Lease liabilities (Note 15)	11.119	-
Interest expense	15.684	524
Total finance costs	26.803	524

13 Income tax expense

	2019 €	2018 €
Current tax:		
Corporation tax	9.454	112
Defence contribution	6.083	-
Income tax expense	15.537	112

Pearl Island Holdings Limited

13 Income tax expense (continued)

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

	2019 €	2018 €
Loss before tax	(1.802.095)	(2.066.192)
Tax calculated at the applicable corporation tax rate of 12.5%	(306.518)	(258.274)
Tax effect of tax losses for which no deferred tax asset was recognised	(46.953)	(30.413)
10% additional tax	859	-
Imposition of deemed interest on loan receivables	11.840	-
Tax effect of group tax losses utilised	356.309	266.688
Tax effect of utilisation of previously unrecognised tax losses	-	22.111
Income tax charge	15.537	112

The Company is subject to income tax on taxable profits at the rate of 12,5% and the subsidiaries in Panama are subject to income tax at the rate of 17,5%.

Brought forward losses of only five years may be utilised. According to the Panamanian law, losses may be carried forward for five years with a maximum of 20% of losses deducted per year. As at 31 December 2019, no deferred tax asset in respect of tax losses brought forward was recognised as it is not certain when the asset will be utilised.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon, etc) are exempt from Cyprus income tax.

14 Property, plant and equipment

	Leasehold offices €	Furniture, fixtures and office equipment €	Motor vehicles €	Total €
At 1 January 2018				
Cost	109.466	120.890	17.689	248.045
Accumulated depreciation	(109.466)	(92.319)	(14.720)	(216.505)
Net book amount	-	28.571	2.969	31.540
Year ended 31 December 2018				
Opening net book amount	-	28.571	2.969	31.540
Depreciation charge (Note 10)	-	(20.720)	(967)	(21.687)
Closing net book amount	-	7.851	2.002	9.853
At 31 December 2018				
Cost	109.466	120.890	17.473	247.829
Accumulated depreciation	(109.466)	(113.039)	(15.471)	(237.976)
Net book amount	-	7.851	2.002	9.853
Year ended 31 December 2019				
Opening net book amount	-	7.851	2.002	9.853
Additions under IFRS 16	504.226	-	-	504.226
Additions	-	873	-	873
Depreciation charge (Note 10)	(95.003)	(5.084)	(967)	(101.054)
Closing net book amount	409.223	3.640	1.035	413.898
At 31 December 2019				
Cost	613.692	121.763	17.473	752.928
Accumulated depreciation	(204.469)	(118.123)	(16.438)	(339.030)
Net book amount	409.223	3.640	1.035	413.898

14 Property, plant and equipment (continued)

Leasehold offices relate to right-of-use asset as recognised following the adoption of provisions of IFRS 16 (Note 15).

Depreciation expense of €101.054 (2018: €21.687) has been charged in "administrative expenses".

15 Leases

This note provides information for leases where the Group is a lessee.

(i) *The Group's leasing arrangements*

The Group leases office spaces.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

(ii) *Amounts recognised in the balance sheet*

The balance sheet shows the following amounts relating to leases:

	2019 €
Lease liabilities	
Current	100.521
Non-current	319.821
	420.342

Additions to the right-of-use assets recognised in property, plant and equipment during the year were €504.226.

(iii) *Amounts recognised in profit or loss*

The income statement shows the following amounts relating to leases:

	2019 €
Depreciation of right-of-use assets	
Office spaces (Note 10)	101.483
	101.483
Interest expense (included in finance cost)	11.119
	11.119

Depreciation of right-of-use of assets of 101.483 was charged in "administrative expenses".

The total cash outflow for leases in 2019 was €95.003.

16 Investment property

	2019	2018
	€	€
At beginning of year	**93.657.424**	88.174.279
Additions	**1.966.672**	1.250.750
Fair value gains (Note 9)	**354.652**	29.172
Foreign exchange differences	**1.729.411**	4.203.223
At end of year	**97.708.159**	93.657.424

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 31 December 2019.

Valuation processes

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:

- verifies all major inputs and assumptions used for the valuation report;
- assesses property valuation movements when compared to the prior year valuation report; an
- holds discussions with the Board of Directors.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

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

The main assumptions used were as follows:

Property	Valuation	Average selling price per square meter	Discount rate	Occupancy rates	Average daily rates	Average constructio n cost per square meter
	€	€	%	%	€	€
Isla Pedro Gonzalez	97.708.159	8.542	12	56	903	4.689

17 Investments in subsidiaries

The Group's interest in its subsidiary, all of which is unlisted, were as follows:

Name	Principal activity	2019 % holding	2018 % 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%

18 Financial assets

(a) Trade receivables

	2019 €	2018 €
Trade receivables	145.505	18.786
Less: loss allowance on trade receivables	-	-
Trade receivables – net	145.505	18.786

(i) Fair value of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(ii) Impairment and risk exposure

Information about the current year impairment of trade receivables and the Group's exposure to credit risk can be found in Note 6.

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

	2019 €	2018 €
US Dollar	145.505	18.786
	145.505	18.786

18 Financial assets (continued)

(b) Financial assets at amortised cost

Financial assets at amortised cost include the following debt investments:

	2019 €	2018 €
Receivables from related parties (Note 25(iii))	32.196	778.412
Other receivables	32.534	154.495
Less: Loss allowance for debt investments at amortised cost	-	-
Financial assets at amortised cost - net	64.730	932.907

The fair value of the above financial assets at amortised cost approximate their carrying amounts.

The carrying amounts of the Group's financial assets at amortised cost are denominated in the following currencies:

	2019 €	2018 €
US Dollar	64.730	932.907
	64.730	932.907

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of financial asset at amortised cost mentioned above. The Group does not hold any collateral as security.

(iii) Impairment and risk exposure

Note 6 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

19 Cash and cash equivalents

	2019 €	2018 €
Cash at bank	133.623	889.924

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2019 €	2018 €
Cash at bank and short-term deposits	133.623	889.924

Cash and cash equivalents are denominated in the following currencies:

	2019 €	2018 €
Euro - functional and presentation currency	105.623	862.702
US Dollar	28.000	27.222
	133.623	889.924

19 Cash and cash equivalents (continued)

Reconciliation of liabilities arising from financing activities:

	Lease liabilities €
Recognised on adoption of IFRS 16 (see Note 3)	504.226
Cash flows:	
Repayment of principal	(95.003)
Non-cash changes:	
Interest expense (Note 12)	11.119
Closing balance 31 December 2019	420.342

20 Share capital and share premium

	Share capital €	Share premium €	Total €
At 31 December 2018/1 January 2019/ 31 December 2019	4.000	26.998.000	27.002.000

The total authorised number of ordinary shares is 5.000 (2018: 5.000) with a par value of €4 per share. 4.000 shares are fully paid up amounting to €4.000.

On 25 April 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 €10.000.000. Until 31 December 2019, €6.400.000 have been contributed but not converted into share capital and another €3.600.000 can be contributed.

21 Other reserves

	Currency translation reserve €
At 1 January 2018	(2.865.432)
Currency translation differences	2.532.077
At 31 December 2018/1 January 2019	(333.355)
Currency translation differences	1.050.056
At 31 December 2019	716.701

22 Borrowings

	2019 €	2018 €
Current		
Borrowings from related parties (Note 25 (iv))	3.235.724	2.265.251

Borrowings for the Group as at 31 December 2019, amounting to €3.235.724 (2018: €2.265.251) relate to loans received by the Panamanian subsidiaries from the minority shareholder and not eliminated on consolidation. The loans are unsecured, interest free and repayable on demand.

22 Borrowings (continued)

The fair value of borrowings from related parties approximates their carrying amount.

The carrying amounts of the Group's borrowings are denominated in US Dollars.

23 Trade and other payables

	2019 €	2018 €
Trade payables	**538.932**	225.775
Paybles to related parties (Note 25(iii))	**503.068**	347.037
Other payables	**222.727**	417.075
Total financial payables within trade and other payables at amortised cost	**1.264.727**	989.887

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

24 Contingencies

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.

25 Related party transactions

The Company is 100% controlled by Grivalia Hospitality S.A. Grivalia Hospitality S.A. is jointly controlled by Eurobank Ergasias S.A. (25%), Eurolife ERB Insurance Group (25%), M&G investments (50%).

The following transactions were carried out with related parties:

(i) Sales of goods and services

	2019 €	2018 €
Sales of services:		
Other related parties	**638.172**	676.000

(ii) Purchases of goods and services

	2019 €	2018 €
Purchases of goods:		
Other related parties	-	183.000

25 Related party transactions (continued)

(iii) Year-end balances

	2019 €	2018 €
Receivables from related parties (Note 18):		
Other related parties	**32.196**	778.412
Payables to related parties (Note 23):		
Other related parties	**503.068**	347.036

The above balances bear no interest and are repayable on demand.

(iv) Borrowings from related parties

	2019 €	2018 €
Borrowings from related party:		
At beginning of year	**2.265.251**	2.161.027
Borrowings advanced during year	**924.083**	-
Foreign exchange differences	**46.390**	104.224
At end of year (Note 22)	**3.235.724**	2.265.251

(v) Capital contribution

On 18 September 2019 the parent Company made an additional capital contribution to the Company amounting €6.400.000 (Note 20).

26 Events after the balance sheet date

The outbreak of the COVID-19 virus has had a significantly negative impact on markets and the asset values in the beginning of 2020 and it adds considerable uncertainties in 2020. While this is still an evolving situation at the time of issuing these financial statements, it appears that the negative impact on global trade and on the Group may be more severe than originally expected. As the situation is still developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak however management considers that there will be delays in finalising the project of the Group following travel restrictions, temporary suspension of construction activities and other quarantine measures. Management is closely monitoring the situation and is ready to act depending on the developments.

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

Independent Auditor's Report on pages 2 to 4.

Pearl Island Holdings Limited

Report and financial statements
31 December 2019

Contents

Pearl Island Holdings Limited

Board of Directors and other officers

Board of Directors

Panagiotis Aristeidis Varfis
Charalampos Anastaselos
Stefanos Dionysios Vlastos (resigned 23/05/2019)
NAP Directors (appointed 23/05/2019)

Company Secretary

NAP Secretarial Ltd
10 Giannou Kranidioti Street,
NICE DAY house, 6th Floor, Flat 602
1065, Nicosia,
Cyprus

Registered office

10 Giannou Kranidioti Street,
NICE DAY house, 6th Floor
1065, Nicosia,
Cyprus

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Independent Auditor's Report
To the Members of Pearl Island Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company Pearl Island Holdings Limited (the "Company"), which are presented on pages 5 to 26 and comprise the balance sheet as at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its 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 Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

Responsibilities of the Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.

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

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.

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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, 30 July 2020

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 €	2018 €
Administrative expenses	8	(33.463)	(36.719)
Operating loss		**(33.463)**	(36.719)
Foreign exchange (losses)/ gains	9	(143.502)	124.765
(Loss)/profit before income tax		**(176.965)**	88.046
Tax expense	10	(9.454)	-
(Loss)/profit and total comprehensive (loss)/income for the year		(186.419)	88.046

The notes on pages 9 to 26 are an integral part of these financial statements.

Pearl Island Holdings Limited

Balance sheet
at 31 December 2019

	Note	2019 €	2018 €
Assets			
Non-current assets			
Investment in subsidiaries	11	**27.000.000**	27.000.000
Financial assets at amortised cost	12	**1.244.092**	-
		28.244.092	27.000.000
Current assets			
Financial assets at amortised cost	12	**4.874.895**	4.140.944
Cash and cash equivalents	13	**105.623**	862.702
		4.980.518	5.003.646
Total assets		**33.224.610**	32.003.646
Equity and liabilities			
Capital and reserves			
Share capital	14	**4.000**	4.000
Capital contributions		**6.400.000**	5.000.000
Share premium	14	**26.998.000**	26.998.000
Accumulated losses		**(209.503)**	(23.084)
Total equity		**33.192.497**	31.978.916
Current liabilities			
Other payables	15	**22.659**	24.730
Current income tax liabilities		**9.454**	-
		32.113	24.730
Total equity and liabilities		**33.224.610**	32.003.646

On 30 July 2020 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 9 to 26 are an integral part of these financial statements.

Pearl Island Holdings Limited

Statement of changes in equity
for the year ended 31 December 2019

	Note	Share capital €	Capital contributions €	Share premium €	Accumulated losses €	Total €
Balance at 1 January 2018		4.000	5.000.000	26.998.000	(111.130)	31.890.870
Comprehensive income						
Profit for the year		-	-	-	88.046	88.046
Balance at 31 December 2018/1 January 2019		4.000	5.000.000	26.998.000	(23.084)	31.978.916
Comprehensive loss						
Loss for the year		-	-	-	(186.419)	(186.419)
Transactions with owners						
Capital contribution from parent entity	16(iii)	-	1.400.000	-	-	1.400.000
Total transactions with owners		-	1.400.000	-	-	1.400.000
Balance at 31 December 2019		4.000	6.400.000	26.998.000	(209.503)	33.192.497

The notes on pages 9 to 26 are an integral part of these financial statements.

Pearl Island Holdings Limited

Statement of cash flows
for the year ended 31 December 2019

	Note	2019 €	2018 €
Cash flows from operating activities			
(Loss)/profit before income tax		(176.965)	88.046
Adjustments for:			
Foreign exchange (gains)/ losses on financing activities	9	143.502	(124.765)
		(33.463)	(36.719)
Changes in working capital:			
Financial assets at amortised cost		-	(1.567)
Other payables		(2.071)	5.011
Net cash used in operating activities		(35.534)	(33.275)
Cash flows from investing activities			
Loans granted to subsidiaries	16(ii)	(2.121.545)	-
Net cash used in investing activities		(2.121.545)	-
Cash flows from financing activities			
Contributions from parent entity	16(ii)	1.400.000	-
Net cash from financing activities		1.400.000	-
Net decrease in cash and cash equivalents		(757.079)	(33.275)
Cash and cash equivalents at beginning of year		862.702	895.977
Cash and cash equivalents at end of year	13	105.623	862.702

The notes on pages 9 to 26 are an integral part of these financial statements.

1 General information

Country of incorporation

The Company is incorporated and domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 10 Giannou Kranidioti Street, NICE DAY house, 6th Floor, 1065, Nicosia, Cyprus.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding of investments, including any interest earning activities.

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 2019 and are relevant to the Company's operations have been adopted by the EU through the endorsement procedure established by the European Commission.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

The Company has prepared consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union for the Company and its subsidiaries. The consolidated financial statements may be obtained from the Company's registered office at 10 Giannou Kranidioti Street, Nice Day House, 6th Floor, 1065, Nicosia, Cyprus.

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 1 January 2019. This adoption did not have a significant effect on the accounting policies of the Company.

4 Summary of significant accounting policies

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

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 or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

Current and deferred income tax

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

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

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

4 Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

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

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

Impairment of non-financial assets

Assets 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

Financial assets - Classification

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.

4 Summary of significant accounting policies (continued)

Financial assets (continued)

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.

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

The 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 is one measurement category 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. The Company's financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, loans receivable and financial assets at amortised cost.

Financial assets – impairment – credit loss allowance for ECL

The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost and FVOCI and exposures arising from loan commitments and financial guarantee contracts. 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.

4 Summary of significant accounting policies (continued)

Financial assets (continued)

Financial assets – impairment – credit loss allowance for ECL (continued)

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 Ammortised Cost 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 6, 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 definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.
Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to Note 6, Credit risk section for a description of how the Company determines low credit risk financial assets.

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.

Pearl Island Holdings Limited

4 Summary of significant accounting policies (continued)

Financial assets (continued)

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 or 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 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. Cash and cash equivalents are carried at Ammortised Cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

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)

Other payables

Other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other payable are classified as current liabilities if payment 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. Other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off 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.

Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company 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

Investments in subsidiaries are measured at cost less impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss 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. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount

Transactions with equity owners/subsidiaries

The Company enters into transactions with shareholders and subsidiaries. When consistent with the nature of the transaction, the Company's accounting policy is to recognise (a) any gains or losses with equity holders and other entities which are under the control of the ultimate shareholder, directly through equity and consider these transactions as the receipt of additional capital contributions or the payment of dividends; and (b) any losses with subsidiaries as cost of investment in subsidiaries. Similar transactions with non-equity holders or subsidiaries, are recognised through the profit or loss.

Share capital, share premium and capital contribution

Ordinary shares and share premium are classified as equity.

4 Summary of significant accounting policies (continued)

Share capital, share premium and capital contribution (continued)

Incremental costs directly attributable to the issue of new shares 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 Company's shareholders directly in the reserves of the Company. The Company has no contractual obligation to repay these amounts.

Provisions

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

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

5 New accounting pronouncements

At the date of approval of these financial statements a number of new standards interpretations and amendments to existing standards are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

6 Financial risk management

(i) Financial risk factors

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

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

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Market risk**

Foreign exchange risk

Exposure

Foreign exchange risk arises due to foreign currency transactions, recognized financial assets and liabilities that are not in the functional currency of the Company primarily with respect to US Dollar.

Sensitivity

At 31 December 2019, if the US Dollar had weakened/strengthened by 10% against the Euro with all other variables held constant, post-tax loss for the year would have been €601.327 lower/higher, mainly as a result of foreign exchange gains/losses on translation of US Dollar-denominated loan receivable balances.

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

Fair value interest rate risk

The Company has significant interest-bearing assets and liabilities (mainly loans receivables and borrowings from and to related parties). The Company's exposure to fair value interest rate risk is not significant as the loans receivable and borrowings to related parties 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 parties and borrowings to related parties and thus neither on the Company's profit after tax.

- **Credit risk**

Credit risk arises mainly from cash and cash equivalents and loans receivables.

(i) Risk management

Credit risk is managed on a group basis. For banks and financial institutions, independently rated parties with a satisfactory credit rating are preferred.

(ii) Impairment of financial assets

The Company has two types of financial assets that are subject to the expected credit loss model:

- financial assets at amortised cost (loans receivables and receivables from related parties) ; and
- cash and cash equivalents

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

Debt instruments

Financial assets at amortised cost and cash and cash equivalents

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower/counterparty.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. Where debt financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Company uses the following categories for loans receivables, receivables from related parties and cash and cash equivalents which reflect their credit risk and how the loss provision is determined for each of those categories.

Pearl Island Holdings Limited

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	Counterparties where credit risk is in line with original expectations	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Underperforming	Counterparties for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Interest and/or principal repayments are 90 days past due or it becomes probable a customer will enter bankruptcy	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off	None

The Company has no financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.

Over the term of the loans receivables and receivables from related parties the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

Pearl Island Holdings Limited

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

The Company provides for credit losses against receivables from related parties, loans receivables and cash and cash equivalents. The following tables contains an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised. The gross carrying amounts below also represents the Company's maximum exposure to credit risk on these assets as at 31 December 2019 and 31 December 2018.

Loans receivables

Company internal credit rating	2019 €	2018 €
Performing	6.117.419	4.139.376
Total loans receivables	6.117.419	4.139.376

Receivables from related parties

Company internal credit rating	2019 €	2018 €
Performing	1.568	1.568
Total receivables from related parties	1.568	1.568

Cash and cash equivalents

	External credit rating	2019 €	2018 €
Performing (Stage 1)	CCC-C	105.623	862.702
Total cash and cash equivalents		105.623	862.702

No significant changes to estimation techniques or assumptions were made during the reporting period.

- **Liquidity risk**

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

	Less than 1 year €
At 31 December 2018	
Trade and other payables	24.730

	Less than 1 year €
At 31 December 2019	
Trade and other payables	22.659

Management does not have a formal policy for managing liquidity risk.

6 Financial risk management (continued)

(ii) Fair value estimation

The carrying value less impairment provision of receivables and payables are assumed to approximate their fair values. The fair value of financial assets and liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available for similar financial instruments.

7 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.

(i) 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.

- **Impairment of investment in subsidiaries**

The Company follows the guidance of IAS 36 "Impairment of assets" to determine whether investments in subsidiaries are impaired. The Company reviews the carrying value for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

At 31 December 2019, Management assessed whether the Company's investments in subsidiaries have suffered any impairment, in accordance with the accounting policy stated in Note 4. The recoverable amount of the investments in subsidiaries as at 31 December 2019 has been determined by Management using the net asset valuation method and future cash flows. Following the impairment assessment, no impairment charge was considered necessary for the investment in subsidiaries.

If management's estimates differ by 5% an impairment charge amounting to approximately €650.000 would have been recognised in relation to its investment in Pearl Island Holdings S.A..

8 Expenses by nature

	2019 €	2018 €
Professional fees	4.315	4.055
Auditors' remuneration	18.800	24.700
Bank charges	3.553	524
Unrecoverable VAT	4.648	5.260
Other administration expenses	2.147	2.180
Total administrative expenses	33.463	36.719

9 Finance costs/(income)

	2019 €	2018 €
Net foreign exchange loss/(gain) on loans receivable	143.502	(124.765)

10 Income tax expense

	2019 €	2018 €
Current tax:		
Corporation tax	9.454	-
Income tax expense	9.454	-

The tax on the Company's (loss)/profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2019 €	2018 €
(Loss)/profit before tax	(176.965)	88.046
Tax calculated at the applicable corporation tax rate of 12.5%	(22.121)	11.006
Tax effect of expenses not deductible for tax purposes	18.876	466
Tax effect of allowances and income not subject to tax	-	(15.596)
Imposition of deemed interest on loan receivables	11.840	-
10% additional tax	859	-
Tax effect of tax losses for which no deferred tax asset was recognised	-	4.124
Income tax charge	9.454	-

The Company is subject to income tax on taxable profits at the rate of 12,5% .

Brought forward losses of only five years may be utilised.

Up to 31 December 2008, under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax thus having an effective tax rate burden of approximately 15%.

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

10 Income tax expense (continued)

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

11 Investments in subsidiaries

	2019 €	2018 €
At beginning and end of year	27.000.000	27.000.000

The Company's interests in its subsidiaries, all of which are unlisted, were as follows:

Name	Principal activity	Country of incorporation	2019 % holding	2018 % holding
Zoniro Panama S.A.	Project Administration Services	Panama	60	60
Don Bernardo Hotel S.A.	Development of Tourism Real Estate Projects	Panama	60	60
Pearl Island Limited S.A.	Development of Tourism Real Estate Projects	Panama	60	60
Pearl Island Utikity S.A.	Project Administration Services	Panama	60	60
Pearl Island Airport S.A.	Airfield Services	Panama	60	60
Don Bernardo Residences S.A.	Development of Tourism Real Estate Projects	Panama	60	60

12 Financial assets

(a) Financial assets at amortised cost

	2019 €	2018 €
Non-Current		
Loans receivable from subsidiaries (Note 17(iii))	1.244.092	-
Total non-current	1.244.092	-
Current		
Receivables from related parties (Note 17(i))	1.568	1.568
Loans receivable from subsidiaries (Note 17(iii))	4.873.327	4.139.376
Total current	4.874.895	4.140.944
Less: Loss allowance for debt investments at amortised cost	-	-
Financial assets at amortised cost - net	6.118.987	4.140.944

All non current financial assets at amortised costs are due within 2 years from the balance sheet date.

The terms and conditions at loans receivalbe from subsidiaries are disclosed in Note 16(ii).

The fair values of the above financial assets at amortised cost approximate their carrying value.

Pearl Island Holdings Limited

12 Financial assets (continued)

Financial assets at amortised cost (continued)

The carrying amounts of the Company's financial assets at amortised cost are denominated in the following currencies:

	2019 €	2018 €
Euro - functional and presentation currency	1.568	1.568
US Dollar	6.117.419	4.139.376
	6.118.987	4.140.944

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of financial asset at amortised cost mentioned above. The Company does not hold any collateral as security.

13 Cash and cash equivalents

	2019 €	2018 €
Cash at bank	105.623	862.702

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2019 €	2018 €
Cash and bank balances	105.623	862.702

Cash and cash equivalents are denominated in the following currencies:

	2019 €	2018 €
Euro - functional and presentation currency	105.623	862.702

14 Share capital and share premium

	Number of shares	Share capital €	Share premium €	Total €
At 1 January 2018/ 31 December 2018/ 31 December 2019	4 000	4.000	26.998.000	27.002.000

The total authorized number of ordinary shares is 5.000 shares (2018: 5.000 shares) with a par value of €1 per share. 4.000 shares are fully paid amounting to €4.000.

On 25th of April 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 shareholder Grivalia Hospitality S.A., in consideration of any amounts of up to €10.000.000. Up to 31 December 2019 €6.400.000 have been contributed but not converted into share capital.

15 Other payables

	2019 €	2018 €
Accrued expenses	22.659	24.730
Total other payables at amortised cost	22.659	24.730

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

16 Related party transactions

The Company is controlled by Grivalia Hospitality S.A, incorporated in Luxembourg, which owns 100% of shareholding. Grivalia Hospitality S.A is jointly controlled by Eurolife ERB Insurance Group (25%), Eurobank Ergasias S.A Group (25%) and M&G Investments (50%).

The following transactions were carried out with related parties:

(i) Year-end balances

	2019 €	2018 €
Receivables from related parties (Note 12(a))	1.568	1.568

The above balances bear no interest and are repayable on demand.

(ii) Loans to related parties

	2019 €	2018 €
Loans to subsidiaries		
At beginning of year	4.139.376	4.014.611
Loans advanced during year	2.121.545	-
Foreign exchange differences	(143.502)	124.765
At end of year (Note 12)	6.117.419	4.139.376

An amount of €1.244.092 is repayable in 2021. The remaining balance is repayable by 31 December 2020. All loans to subsidiaries bear no interest and are unsecured.

(iii) Capital Contributions

On 18 September 2019, the parent company made a capital contribution to the Company amounting to €1.400.000.

17 Events after the balance sheet date

The outbreak of the COVID-19 virus has had a significantly negative impact on markets and the asset values in the beginning of 2020 and it adds considerable uncertainties in 2020. While this is still an evolving situation at the time of issuing these financial statements, it appears that the negative impact on global trade and on the Company may be more severe than originally expected. As the situation is still developing, management considers it impracticable to provide a quantitative estimate of the potential impact of this outbreak however management is closely monitoring the situation and is ready to act depending on the developments.

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

Independent Auditor's Report on pages 2 to 4.