APHRODITE HILLS RESORT LIMITED

REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS

For the year ended 31 December 2018

APHRODITE HILLS RESORT LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

CONTENTS

APHRODITE HILLS RESORT LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	George Misirlis, Cyprus Elias Neocleous, Cyprus Luv Dipak Shah, United States of America Aristotelis Karytinos, Greece *(appointed on 28 March 2019)*
\Secretary	P & D Secretarial Services Limited
Independent auditors	KPMG Limited
Bankers	Bank of Cyprus Public Company Limited
Legal advisors	Chrysses Demetriades & Co Charalambous, Kountouris & Co
Registered office	Agathaggelos Court 10 Georgiou Gennadiou Street 3041 Limassol Cyprus
Registration number	HE 39398

APHRODITE HILLS RESORT LIMITED

MANAGEMENT REPORT

The Board of Directors of **Aphrodite Hills Resort Limited** (the "Company") presents to the members its annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group continue to be the following:

- The development of land at a prime location on the southwestern coast of Cyprus (Aphrodite Hills);
- The development and sale of real estate properties at Aphrodite Hills;
- The operation of a 5 star hotel at Aphrodite Hills;
- The operation of a golf course, clubhouse, tennis academy, health spa, restaurants and other facilities located at Aphrodite Hills;
- The provision of drainage, security and other services to owners of property located at Aphrodite Hills; and
- The provision of property management, rental and related services to certain owners and residents of Aphrodite Hills.

FINANCIAL RESULTS AND POSITION

The Group's financial results for the year ended 31 December 2018 and its financial position as at that date are set out in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position on pages 7 and 8 respectively. The profit for the year amounted to €6.256.938 (2017: €10.408.535).

DIVIDENDS AND TRANSFERS TO RESERVES

The Board of Directors does not recommend the payment of a dividend and recommends that the profit for the year be transferred to reserves.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE GROUP

The current financial position of the Group as presented in the consolidated financial statements is considered satisfactory.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group and the steps taken to manage these risks are described in note 29 of the consolidated financial statements.

FORESEEABLE FUTURE DEVELOPMENTS

The Board of Directors does not expect any significant changes to the activities of the Group in the foreseeable future.

SHARE CAPITAL

There were no changes to the share capital of the Company during the year under review and up to the date of these consolidated financial statements.

APHRODITE HILLS RESORT LIMITED

MANAGEMENT REPORT *(continued)*

BOARD OF DIRECTORS

The members of the Board of Directors as at 31 December 2018 and at the date of this report are presented on page 1.

On 28 March 2019 Mr. Aristotelis Karytinos was appointed to the Board of Directors until the next Annual General Meeting of the Company. In accordance with the Company's Articles of Association, Mr. Aristotelis Karytinos, being eligible for re-election, offers himself to be re-appointed as a director of the Company. Mr. Luv Dipak Shah and Mr. Elias Neocleous, both currently in office, retire at the next Annual General Meeting and, being eligible, also offer themselves for re-election.

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

SUBSEQUENT EVENTS

The material events that occurred after the reporting date and which affect the financial statements as at 31 December 2018 are described in note 30 to the financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Group, KPMG Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the Annual General Meeting.

By order of the Board of Directors,

P&D SECRETARIAL SERVICES LTD
COMPANY SECRETARY

P & D Secretarial Services Limited
Secretary

Limassol, 30 August 2019

KPMG

KPMG Limited
Chartered Accountants
11, June 16th 1943 Street, 3022 Limassol, Cyprus
P.O.Box 50161, 3601 Limassol, Cyprus
T: +357 25 869000, F: +357 25 363842

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

APHRODITE HILLS RESORT LIMITED

Report on the audit of the consolidated financial statements

Opinion

We have audited the accompanying consolidated financial statements of **Aphrodite Hills Resort Limited** (the "Company"), and its subsidiaries (the "Group"), which are presented on pages 7 to 40 and comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of profit or loss and other 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 consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the 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 "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), and the ethical requirements in Cyprus that are relevant to our audit of the consolidated financial statements, 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.

Emphasis of Matter

We draw attention to Note 4 to the consolidated financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2017 has been restated. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT *(continued)*

TO THE MEMBERS OF APHRODITE HILLS RESORT LIMITED

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as required by the Companies Law, Cap. 113.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Our report in this regard is presented in the "Report on other legal requirements" section.

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 IFRS-EU and the requirements of the 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 there is an intention to either liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT *(continued)*

TO THE MEMBERS OF APHRODITE HILLS RESORT LIMITED

Auditors' responsibilities for the audit of the consolidated financial statements (continued)

- 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 a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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.

Report on other legal requirements

Pursuant to the additional requirements of the Auditors' Law of 2017, L.53(I)2017, as amended from time to time ("Law L.53(I)2017"), and based on the work undertaken in the course of our audit, we report the following:

- In our opinion, the management report, the preparation of which is the responsibility of the Board of Directors, has been prepared in accordance with the requirements of the Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In the light of the knowledge and understanding of the enterprise and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

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 Law L.53(I)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.

Alexandros S. Sofocleous, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
11, June 16th 1943 Street
3022 Limassol
Cyprus

30 August 2019

APHRODITE HILLS RESORT LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 €	2017 €
Revenue	5	51.056.072	54.281.180
Cost of sales		(32.530.807)	(29.373.934)
Gross profit		18.525.265	24.907.246
Other operating income	6	915.982	670.026
Marketing and administrative expenses		(7.996.345)	(9.108.189)
Impairment allowance for trade receivables		(19.569)	-
Operating profit before financing activities	7	11.425.333	16.469.083
Net finance expenses	9	(4.528.725)	(4.797.066)
Operating profit after financing activities		6.896.608	11.672.017
Share of profit from associate, net of tax	13	136.436	108.939
Profit before tax		7.033.044	11.780.956
Taxation	10	(776.106)	(1.372.421)
Profit for the year		6.256.938	10.408.535
Other comprehensive income		-	-
Total comprehensive income for the year		6.256.938	10.408.535

The notes on pages 11 to 40 form an integral part of these consolidated financial statements.

APHRODITE HILLS RESORT LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	31/12/2018 €	31/12/2017 € *Restated	1/1/2017 € *Restated
ASSETS				
Non-current assets				
Property, plant and equipment	11	67.381.160	69.241.214	67.924.488
Investment property	12	2.204.608	-	-
Interest in associate	13	341.919	326.572	298.833
Deferred tax assets	23	35.000	-	66.038
Trade and other receivables	17	4.293.218	3.714.602	-
Total non-current assets		74.255.905	73.282.388	68.289.359
Current assets				
Inventories	16	10.718.765	13.770.770	16.356.503
Trade and other receivables	17	5.324.603	8.565.494	18.115.003
Other assets	18	111.153	7.126.066	7.283.745
Cash and cash equivalents	19	4.944.319	6.003.165	8.923.943
Total current assets		21.098.840	35.465.495	50.679.194
Total assets		95.354.745	108.747.883	118.968.553
EQUITY				
Equity and reserves				
Share capital	20	11.893.299	11.893.299	11.893.299
Share premium		95.950.906	95.950.906	95.950.906
Retained earnings		(108.303.097)	(114.469.284)	(124.877.819)
Translation reserve		46.890	46.890	46.890
Total equity		(412.002)	(6.578.189)	(16.986.724)
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities	23	4.070.642	3.828.246	3.471.529
Loans and borrowings	22	67.528.837	61.605.882	76.488.104
Trade and other payables and provisions	24	2.132.559	2.452.895	3.640.395
Total non-current liabilities		73.732.038	67.887.023	83.600.028
Current liabilities				
Trade and other payables and provisions	24	19.689.272	34.120.144	47.965.562
Loans and borrowings	22	1.968.574	12.908.016	4.388.842
Tax liability	15	376.863	410.889	845
Total current liabilities		22.034.709	47.439.049	52.355.249
Total liabilities		95.766.747	115.326.072	135.955.277
Total equity and liabilities		95.354.745	108.747.883	118.968.553

On 30 August 2019 the Board of Directors of Aphrodite Hills Resort Limited authorized these consolidated financial statements for issue.

George Misirlis, Director

Elias Neocleous, Director

**Refer to note 4*

The notes on pages 11 to 40 form an integral part of these consolidated financial statements.

APHRODITE HILLS RESORT LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Share capital (Note 20) €	Share Premium €	Translation reserve €	Accumulated losses € *Restated	Total € *Restated
Balance at 1 January 2017, as previously reported	11.893.299	95.950.906	46.890	(122.424.924)	(14.533.829)
Restatement related to previous years (note 4)	-	-	-	(2.452.895)	(2.452.895)
Balance at 1 January 2017	11.893.299	95.950.906	46.890	(124.877.819)	(16.986.724)
Total comprehensive income for the year					
Profit for the year	-	-	-	10.408.535	10.408.535
Other comprehensive income	-	-	-	-	-
Balance at 31 December 2017	11.893.299	95.950.906	46.890	(114.469.284)	(6.578.189)
Balance at 1 January 2018, as previously reported	11.893.299	95.950.906	46.890	(114.469.284)	(6.578.189)
Adjustment on initial application of IFRS9 (note 2 (f))	-	-	-	(90.751)	(90.751)
Balance at 1 January 2018	11.893.299	95.950.906	46.890	(114.560.035)	(6.668.940)
Total comprehensive income for the year					
Profit for the year	-	-	-	6.256.938	6.256.938
Other comprehensive income	-	-	-	-	-
Balance at 31 December 2018	11.893.299	95.950.906	46.890	(108.303.097)	(412.002)

**Refer to note 4*

The notes on pages 11 to 40 form an integral part of these consolidated financial statements.

APHRODITE HILLS RESORT LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 €	2017 €
Cash flows from operating activities		
Profit for the year	6.256.938	10.408.535
Adjustments for:		
Depreciation of property, plant and equipment	2.334.993	2.162.988
Reversal of provisions for transfer fees	(387.265)	(397.368)
Reversal of employee benefits	-	(570.000)
Share of profit from associate, net of tax	(136.436)	(108.939)
(Profit)/loss from the disposal of property, plant and equipment	(1.500)	1.097
Taxation (excluding immovable property tax)	776.106	1.372.421
Provision for bad and doubtful debts (net of reversal)	19.569	(44.637)
Gain on legal case	(99.432)	-
Interest expense	4.363.878	5.043.402
Cash flows from operating activities before working capital changes	13.126.851	17.867.499
Decrease in inventories	3.052.005	2.585.733
Decrease in trade and other receivables	2.445.603	5.879.544
Decrease in other assets	7.014.913	157.679
(Decrease)/increase in trade and other payables	(14.158.159)	(14.066.079)
Cash flows from operating activities	11.481.213	12.424.376
Tax paid	(602.736)	(538.394)
Net cash flows from operating activities	10.878.477	11.885.982
Cash flows from investing activities		
Acquisition of property, plant and equipment	(2.679.547)	(3.481.510)
Dividend received from associate undertaking	121.089	81.200
Proceeds from the disposal of property, plant and equipment	1.500	-
Net cash flows used in investing activities	(2.556.958)	(3.400.310)
Cash flows from financing activities		
Loan repayments	(8.029.122)	(7.911.674)
Proceeds from other finance liabilities	-	-
Repayment of other finance liabilities	-	(27.899)
Interest paid	(1.146.350)	(3.667.201)
Net cash flows used in financing activities	(9.175.472)	(11.606.774)
Net increase in cash and cash equivalents	(853.953)	(3.121.102)
Cash and cash equivalents at the beginning of year	5.798.272	8.919.374
Cash and cash equivalents at end of the year	4.944.319	5.798.272

The notes on pages 11 to 40 form an integral part of these consolidated financial statements.

APHRODITE HILLS RESORT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Aphrodite Hills Resort Limited (the "Company") was incorporated in Cyprus on 15 March 1990 as a private limited liability company, under the Cyprus Companies Law, Cap. 113. Its registered office is at Agathaggelos Court, 10 Georgiou Gennadiou Street, 3041, Limassol, Cyprus.

The principal activities of the Group continue to be the following:

- The development of land at a prime location on the southwestern coast of Cyprus (Aphrodite Hills);
- The development and sale of real estate properties at Aphrodite Hills;
- The operation of a 5 star hotel at Aphrodite Hills;
- The operation of a golf course, clubhouse, tennis academy, health spa, restaurants and other facilities located at Aphrodite Hills;
- The provision of drainage, security and other services to owners of property located at Aphrodite Hills; and
- The provision of property management, rental and related services to owners and residents of Aphrodite Hills.

2. BASIS OF PREPARATION

(a) Basis of accounting

The consolidated financial statements of Aphrodite Hills Resort Limited 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.

The consolidated financial statements were approved by the Board of Directors on 30 August 2019.

Details of the Company's accounting policies are presented in note 3.

This is the first set of the Group's financial statements in which IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" have been applied. Changes to significant accounting policies are described in note 2(f).

(b) Going concern basis of accounting

As at 31 December 2018, the shareholder's deficit amounted to €0,4 million and the Group's current liabilities exceeded its current assets by €0,9 million. Notwithstanding this, the Board of Directors notes that the Group generated positive cash flows in the year in excess of €11 million from operating activities and anticipates generating further positive cash flows from operations in 2019. In addition, the current liabilities include €10,4 million of contracts liabilities (Note 24) that will not give rise to a future cash outflows, but instead will be released to profit or loss upon delivery of the respective properties that are held as inventory at the reporting date, and whose remaining cost of construction to complete is in the region of €1 million.

The Group also has an undrawn overdraft facility of €5 million (Note 27(iv)).

The consolidated financial statements have therefore been prepared on a going concern basis.

2. BASIS OF PREPARATION *(continued)*

(c) Basis of measurement

The consolidated financial statements are for the year ended 31 December 2018 and have been prepared under the historical cost convention, except for land and buildings which are measured at fair value.

(d) Adoption of new and revised IFRS and Interpretations as adopted by the EU

During the current year the Group adopted all the changes to IFRS as adopted by the EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the financial statements of the Group. The transition impact of the adoption of IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" is explained in note 2(f).

At the date of approval of these consolidated financial statements, Standards, Revised Standards and Interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the EU and others not yet. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the financial statements of the Group, except for IFRS 16 "Leases", which is expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 16 "Leases" (effective from 1 January 2019)

The Group is required to adopt IFRS 16 from 1 January 2019. Management has assessed the estimated impact that the initial application of IFRS 16 will have on its financial statements, as described below. The actual impact of adopting the standard on 1 January 2019 may change as the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC-15 "Operating leases – Incentives" and SIC-27 "Evaluating the substance of transactions involving the legal form of a lease".

Leases in which the Company is a lessee

The Group will recognise new assets and liabilities for its operating leases of the premises located at Aphrodite Hills. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group only recognised operating lease expense on a straight line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of circa €400 thousand as at 1 January 2019.

Transition

The Group plans to apply IFRS 16 on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2. BASIS OF PREPARATION *(continued)*

(e) Use of estimates and judgments

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuous basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most critical estimate for which judgment is required concerns the fair value of the Group's property, plant and equipment (Note 11) and investment property (Note 12). The following are other matters that require judgment in applying accounting policies that may also have a significant effect on the amounts recognised in the consolidated financial statements:

- Provision for bad and doubtful debts and expected credit losses
  The Group reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the counterparty's overall financial position. If indications of recoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of provision is charged through the profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly. For further details with respect to the Group's approach to measuring expected credit losses refer to Note 27(ii).

- Measurement of fair values
  A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

  When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

  If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

  The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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

2. BASIS OF PREPARATION *(continued)*

(f) Changes in significant accounting policies

The Group has initially applied IFRS 15 and IFRS 9 from 1 January 2018.

Due to transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards. The effect of applying these standards is mainly attributed to the following:

i) IFRS 15 "Revenue from Contracts with Customers"

The recognition of revenue in the Group's financial statements for the year ended 31 December 2018 has not been impacted by the adoption of IFRS 15 as the Group's previous accounting policy with respect to revenue recognition was already in compliance with IFRS 15 requirements, as applicable to the Group's revenue streams.

The Group changed the presentation for certain amounts as presented in the notes to the financial statements in order to reflect the requirement of IFRS 15. More specifically, advances received from customers for the sale of real estate properties and for other goods and services, which were presented as "advances from sale of properties" and "other advances from clients", respectively, are now presented as "contract liabilities" (Note 24).

ii) IFRS 9 "Financial Instruments"

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 "Presentation of Financial Statements", which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in other expenses.

Additionally, the Group has adopted consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures in relation to the year ended 31 December 2018 but have not been generally applied to comparative information.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings:

	Note	Impact of initial application of IFRS 9 on opening balances €
Accumulated losses		
Additional impairment allowance on application of IFRS 9		90.751
Effect on taxation		-
Impact as at 1 January 2018	27(ii)	90.751

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

2. BASIS OF PREPARATION *(continued)*

(f) Changes in significant accounting policies *(continued)*

ii) *IFRS 9 "Financial Instruments" (continued)*

Classification and measurement of financial assets and financial liabilities (continued)

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities and as a result its adoption has not had a significant effect on the Group's accounting policies related to financial liabilities.

The following table sets out the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets					
Trade receivables	17	Loans and receivables	Amortised cost	5.992.244	5.938.693
Receivables from related parties	17	Loans and receivables	Amortised cost	3.824.917	3.787.717
Other assets	18	Loans and receivables	Amortised cost	7.126.066	7.126.066
Cash and cash equivalents	19	Loans and receivables	Amortised cost	5.964.515	5.964.515
Total financial assets				22.907.742	22.816.991

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial liabilities					
Loans and borrowings	22	Other financial liabilities	Other financial liabilities	(74.513.898)	(74.513.898)
Payable to related parties	24	Other financial liabilities	Other financial liabilities	(9.136)	(9.136)
Trade and other payables	24	Other financial liabilities	Other financial liabilities	(10.394.274)	(10.394.274)
Total financial liabilities				(84.917.308)	(84.917.308)

Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. For assets in the scope of IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, the comparative period has not been restated in these consolidated financial statements. The Group has recognised an additional allowance for impairment on application of IFRS 9 impairment requirements at 1 January 2018 in the amount of €90.751 directly in the retained earnings in the statement of changes in equity as permitted by IFRS 9.

2. BASIS OF PREPARATION *(continued)*

(g) Functional and presentation currency

The consolidated financial statements are presented in Euro (€) which is the functional currency of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these consolidated financial statements, except if mentioned otherwise (see Note 2(f)).

<u>Basis of consolidation</u>

The consolidated financial statements include the financial statements of the Company and its subsidiaries as listed in note 14. In addition, the results of the associate undertaking are included in these consolidated financial statements using the equity method of accounting.

Subsidiaries
Subsidiaries are all entities which are controlled by the Group. Control exists when the Group has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Interests in associate
Associates are those entities in which the Group has significant influence, but no control or joint control over the financial and operating policies. Interests in associates is accounted using the equity method. They are initially recognised at cost which includes transaction costs. Subsequently to initial recognition the consolidated financial statements of the Group include the Group's share of the profit or loss and other comprehensive income of the associates, until the date on which significant influence ceases.

Transactions eliminated on consolidation
Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extend that there is no evidence of impairment.

<u>Revenue recognition</u>

The adoption of IFRS 15 "Revenue from Contracts with Customers" did not have a significant effect on the financial statements of the Group (refer to note 2(f)).

Revenue comprises the invoiced amount for the sale of real estate properties, goods and services net of Value Added Tax, rebates and discounts. Revenues earned by the Group are recognised on the following basis:

- <u>Sale of real estate property</u>
  Revenue from the sale of real estate property is recognised when the significant risks and rewards of ownership of the property have been transferred to the customer, the customer has accepted the property and collectibility of the related receivable is reasonably assured. The transfer of risks and rewards crystallises when the property has been completed and delivered to the buyer.

  Income from the cancellation of reservation of real estate property is recognised when the reservation is cancelled.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

- Rendering of services
  The Group recognises revenue from rendering of services in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- Hotel operations
  Revenue from hotel operations is recognised when rooms are occupied by customers, and when food, beverages and souvenirs or other items have been sold. Other income from hotel operations is recognised on an accruals basis when the services are provided.
- Sale of goods
  Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably.
- Rental income
  Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

Finance income/expenses

Finance income/expenses comprises interest income/expenses, gains on loan restructuring, bank charges, foreign exchange differences and other borrowing costs. The interest income/expense is recognised in the income statement as it accrues, using the effective interest method.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the consolidated statement of financial position date. Current tax includes any adjustments to tax payable in respect of previous periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Dividend distribution to the Company's shareholders is recognised in the Group's financial statements in the year in which they are approved.

APHRODITE HILLS RESORT LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of work in progress consists of the cost of land, raw materials, direct labour and expenses including borrowing costs and other expenditure associated with the development of land. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Investment property

Investment property comprises the village square shops and is held for long-term rental yield and is not occupied by the Group. Investment property is carried at fair value, representing the open market value as determined by external valuers. Under IAS 40 "Investment property", which the Group adopted, changes in fair values are recorded in the statement of profit or loss.

Property, plant and equipment

Land and buildings are carried at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Revaluations are carried out with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the reporting period date. All other property, plant and equipment are stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to fair value reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the consolidated statement of profit or loss and other comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the consolidated statement of profit or loss and other comprehensive income) and depreciation based on the asset's original cost is transferred from fair value reserves to retained earnings.

Depreciation is recognised in the consolidated statement of profit or loss and other comprehensive income using the straight-line method so as to write off the cost or revalued amount of each asset to its residual value, over its estimated useful life. The annual depreciation rates used for the current and comparative periods are as follows:

	%
Hotel building	1
Clubhouse, golf course and other buildings	1
Leasehold improvements	3
Motor vehicles	20
Furniture, fixtures and office equipment	10
Plant and machinery	10
Computer hardware	20
Computer software	20 – 33,33
Linen, cutlery and glassware	20

No depreciation is provided on land.

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

When use of a property changes from owner occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on this remeasurement is recognised in profit and loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in OCI and presented in the revaluation reserve. Any loss is recognised in profit or loss.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the consolidated statement of profit or loss and other comprehensive income of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are capitalised only when it is probable that future economic benefits will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the consolidated statement of profit or loss and other comprehensive income. When revalued assets are sold, the amounts included in the fair value reserves are transferred to retained earnings.

Operating leases

Leases where 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 are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Financial instruments

Recognition and initial measurement

The Group initially recognises trade receivables when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the Group becomes a party to the contractual provisions of the instrument.

Financial assets (other than trade receivables without a significant financing component) and financial liabilities are initially measured at fair value plus any directly attributable transaction costs for an item not at FVTPL. A trade receivable without a significant financing component is initially measured at the transaction price. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Classification and subsequent measurement

Financial assets: Policy applicable from 1 January 2018

On initial recognition, the Group classifies financial assets as "financial assets at amortised cost" or "financial assets at FVTPL".

A financial asset is measured at amortised cost if it meets both of the following conditions and it is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Classification and subsequent measurement (continued)

Financial assets: Policy applicable from 1 January 2018 (continued)

Financial assets at amortised cost comprise of trade and other receivables and cash and cash equivalents.

All remaining financial assets of the Group that are not classified as measured at amortised cost as described above are measured are FVTPL.

All financial assets are classified as current assets unless the Group has an unconditional responsibility to accept deferral of receipt for at least twelve months after the balance sheet date, in which case they are classified as non-current assets.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are re-classified accordingly on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment losses are recognised in profit or loss.

Financial assets at FVTPL are subsequently measured at fair value and changes therein are generally recognised in profit or loss.

Financial liabilities: Policy applicable from 1 January 2018

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial assets and liabilities: Policy applicable before 1 January 2018

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, loans and borrowings and trade and other payables. Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method, less any impairment losses (see further below).

Cash and cash equivalents comprise cash at bank and cash in hand. Loans and receivables are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets.

Borrowings and payables 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, in which case they are classified as long term liabilities. Advances received from clients from real estate sales are presented as current even in the instance where delivery of the relevant property will take place after twelve months, as such balances are considered to form part of the Group's normal operating cycle and the funds are used for trading purposes.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets and liabilities: Policy applicable before 1 January 2018 (continued)

Ordinary shares are classified as equity.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognised financial assets that is created or retained by the Group, is recognised as a separate asset or liability.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of financial assets

Policy applicable from 1 January 2018

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost. The loss allowances are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

Policy applicable from 1 January 2018 (continued)

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Impairment losses are recognised in profit or loss.

Evidence that a financial asset is credit-impaired includes the following observable data:

- a significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowance for financial assets measured at amortised cost are deducted from gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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 a reliable estimate of the amount can be made.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

4. PRIOR YEAR RESTATEMENT

During 2015 the Group owed to Bank of Cyprus €2.452.895 of overdue interest accruing on a bank loan. During the same year, with respect to this overdue interest, the Company entered into an 'Amendment and Restatement Deed' with the Bank of Cyprus on the basis of which it was agreed that:

- a number of properties held by the Group in its inventory were identified and referred to in the agreement (the "designated properties");
- upon the sale of designated properties held as an inventory by the Group, a pre-determined amount would be transferred to the bank against the aforementioned overdue interest that accrued on bank loan;
- any excess proceeds from the sale of the designated properties beyond the pre-determined amounts would be for the benefit of the Group.

During the same period, the Group restructured its remaining liabilities with the bank and, out of oversight, the liability arising from the aforementioned Amendment and Restatement Deed (in respect of this overdue interest) was not recorded in the accounting records and the financial statements of the Group from 2015 onwards. This omission was not identified in the intervening period as the bank did not present this liability in its statements issued to the Group and the auditor confirmations. The omission was identified by management during 2018 when one of the designated properties was sold (being the first designated property sold since the deed was signed). The Group has therefore restated its comparatives in accordance with IAS 8 to recognize this liability in trade and other payables.

APHRODITE HILLS RESORT LIMITED

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For the year ended 31 December 2018

4. PRIOR YEAR RESTATEMENT *(continued)*

The following table summarises the impact on the financial statements from the restatement detailed above:

	As previously stated	Adjustment	Restated
1 January 2017			
Trade and other payable and provisions	(49.153.062)	(2.452.895)	(51.605.957)
Accumulated losses	(122.424.924)	(2.452.895)	(124.877.819)
Total equity	(14.533.829)	(2.452.895)	(16.986.724)
31 December 2017			
Trade and other payable and provisions	(34.120.144)	(2.452.895)	(36.573.039)
Accumulated losses	(112.016.389)	(2.452.895)	(114.469.284)
Total equity	(4.125.294)	(2.452.895)	(6.578.189)

Refer also to note 24

5. REVENUE

	2018 €	2017 €
Real estate development	22.105.908	27.390.975
Hotel operations	16.822.248	16.799.992
Property management	6.863.864	5.819.405
Other operations	5.264.052	4.270.808
	51.056.072	54.281.180

6. OTHER OPERATING INCOME

	2018 €	2017 €
Rental income	291.613	262.392
Release of provision for transfer fees (Note 25)	387.265	267.368
Sundry operating income	235.604	141.363
Profit/(loss) on disposal of plant and equipment (Note 11)	1.500	(1.097)
	915.982	670.026

7. OPERATING PROFIT

Operating profit before financing activities is stated after charging the following items:

	2018	2017
	€	€
Depreciation of property, plant and equipment (Note 11)	2.334.993	2.162.988
Independent auditors' remuneration – current year	79.000	75.000
Independent auditors' remuneration – prior year under provision	7.725	11.750
Provision for bad and doubtful debts	19.569	16.105
Reversal of provision for bad debts	(12.026)	(60.742)
Staff costs (Note 8)	9.805.846	8.835.085

8. STAFF COSTS

	2018	2017
	€	€
Wages and salaries	8.235.035	7.894.510
Bonuses and termination benefits	486.754	325.000
Release of overprovision for bonuses of previous years	-	(350.000)
Social insurance, provident fund and other contributions	1.084.057	965.575
	9.805.846	8.835.085

The average number of staff employed by the Group during the year ended 31 December 2018 and 2017 were 506 and 459 respectively.

9. NET FINANCE EXPENSES

	2018	2017
	€	€
Finance income		
Bank interest income	18.538	123.971
Interest on loan to associate (Note 26)	3.218	5.309
Interest on trade balances	1.037	13.803
Other financing income	43	1.348
Net foreign exchange gain	2.896	6.478
	25.732	150.909
Finance expenses		
Interest on bank borrowings	(1.120.109)	(1.133.780)
Interest on loan from related party (Note 26)	(3.243.769)	(3.909.622)
Interest on taxes	-	(244)
Release of overprovision for interest on taxes of previous years	-	211.929
Bank charges and other finance costs	(190.579)	(116.258)
	(4.554.457)	(4.947.975)
Net finance expenses	(4.528.725)	(4.797.066)

10. TAXATION

	2018	2017
	€	€
Special defence contribution	11.442	43.895
Deferred tax charge (Note 23)	207.396	422.748
Corporation tax	557.268	905.778
Charge for the year	776.106	1.372.421

Reconciliation of tax based on the taxable income and tax based on accounting losses:

	2018	2017
	€	€
Accounting profit before tax	7.033.044	11.780.956
Tax calculated at the applicable corporation tax rate	879.131	1.472.619
Tax effect of expenses not deductible for tax purposes	540.724	12.137.522
Tax effect of allowances and income not subject to tax	(863.238)	(12.657.137)
Tax effect of tax losses brought forward and group relief	(14.700)	(80.251)
Special defence contribution	11.442	43.895
Change in recognised deductible temporary differences	242.396	422.748
Deferred tax impact of tax losses recognised	(35.000)	-
10% additional charge	15.351	33.025
Charge for the year	776.106	1.372.421

The Company and its subsidiaries are subject to corporation tax on taxable profits at the rate of 12,5% .

The tax losses of previous years can be carried forward to be utilised against future taxable profits of the same company for up to 5 years from the year they arose. Current and future year tax losses incurred by companies resident in Cyprus may be utilised within the Group provided that there is at least 75% ownership.

As at the reporting date, deferred tax assets amounting to circa €0,7 million (2017: €1,8 million) and relating to accumulated tax losses from the operations of certain Group entities have not been recognised because it is not probable that sufficient taxable profits will be generated against which those Group entities can utilise benefits whilst these tax losses remain available. An amount of these tax losses expires each year, and these tax losses fully expire by 31 December 2021.

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings €	Furniture, fixtures, office equipment and motor vehicles €	Plant and machinery €	Total €
2018				
Cost or valuation				
Balance at 1 January 2018	68.629.753	17.279.373	2.925.613	88.834.739
Additions	1.490.479	932.410	256.658	2.679.547
Transfer to investment property (Note 12)	(2.204.608)	-	-	(2.204.608)
Disposals	-	(54.000)	-	(54.000)
Balance at 31 December 2018	67.915.624	18.157.783	3.182.271	89.255.678
Depreciation				
At 1 January 2018	4.153.225	13.628.050	1.812.250	19.593.525
Depreciation for the year	1.173.221	978.128	183.644	2.334.993
On disposals	-	(54.000)	-	(54.000)
Balance at 31 December 2018	5.326.446	14.552.178	1.995.894	21.874.518
Net book value				
Balance at 31 December 2018	62.589.178	3.605.605	1.186.377	67.381.160
2017				
Cost or valuation				
Balance at 1 January 2017	66.441.684	16.610.089	2.327.781	85.379.554
Additions	2.188.069	695.609	597.832	3.481.510
Disposals	-	(26.325)	-	(26.325)
Balance at 31 December 2017	68.629.753	17.279.373	2.925.613	88.834.739
Depreciation				
At 1 January 2017	3.161.086	12.645.891	1.648.089	17.455.066
Depreciation for the year	992.139	1.006.688	164.161	2.162.988
On disposals	-	(24.529)	-	(24.529)
Balance at 31 December 2017	4.153.225	13.628.050	1.812.250	19.593.525
Net book value				
Balance at 31 December 2017	64.476.528	3.651.323	1.113.363	69.241.214

The Group's property is mortgaged as security for loans advanced to it (Note 22).

11. PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	2018 €	2017 €
Net book value	-	1.097
Profit/(loss) on the disposal of property, plant and equipment	1.500	(1.097)
Proceeds from the disposal of property, plant and equipment (excluding VAT)	1.500	-

Freehold land and buildings are accounted for under the revaluation method of IAS 16, however as at 31 December 2018, the carrying values do not vary materially from the amounts that would have been presented under the historical cost basis of accounting due to impairments recognized in previous years.

Accumulated impairments against the historic cost of land and buildings amounted to €34.261.066 and were recognized in the financial years 2012 and 2013. The key valuation assumptions are disclosed in Note 28.

12. INVESTMENT PROPERTY

	€
Balance 1 January 2018	-
Transfer from property, plant and equipment	2.204.608
Balance 31 December 2018	2.204.608

Investment property comprises a number of commercial properties that are leased to third parties.

Management has concluded that this is the intended use of the properties and therefore these were transferred from property, plant and equipment during the year (Note 11). The key valuation assumptions are disclosed in Note 28. There are mortgages on the Group's investment property as security for loans advanced to it (Note 22).

13. INTEREST IN ASSOCIATE

	2018 €	2017 €
Balance 1 January	326.572	298.833
Share of profit from associate, net of tax	136.436	108.939
Dividend received	(121.089)	(81.200)
Balance at 31 December	341.919	326.572

At 31 December, the interest in associate of the Group was the following:

Name	*Country of incorporation*	*Activities*	*2018 Shareholding* %	*2017 Shareholding* %
Aphrodite Hills Pantopoleion Limited	Cyprus	Operation of supermarket at Aphrodite Hills	45	45

14. INVESTMENTS IN SUBSIDIARIES

At 31 December, the subsidiaries of the Group were the following:

Name	*Country of incorporation*	*Activities*	*2018 Shareholding %*	*2017 Shareholding %*
The Aphrodite Tennis & Spa Limited	Cyprus	Operation of a tennis academy	100	100
Aphrodite Hotels Limited	Cyprus	Operation of a 5* hotel	100	100
Aphrodite Hills Services Limited	Cyprus	Provision of drainage and security services to properties located at Aphrodite Hills	100	100
Aphrodite Hills Property Management Limited	Cyprus	Provision of repairs, maintenance, and rentals to owners/residents	100	100

15. TAX LIABILITY

	2018 €	2017 €
Corporation tax payable	376.226	410.252
Special contribution on the defence fund	637	637
	376.863	410.889

16. INVENTORIES

	2018 €	2017 €
Stock of completed property	2.727.169	4.536.792
Work in progress (property under construction)	7.525.626	8.735.841
Goods for sale and consumables	465.970	498.137
	10.718.765	13.770.770

The Company's property is mortgaged as security for loans advanced to it (Note 22). The fair value of unsold inventories as at 31 December 2018 amounts to €23,2 million.

17. TRADE AND OTHER RECEIVABLES

	2018 €	2017 €
Trade receivables	4.146.074	6.544.993
Less: provision for bad and doubtful debts (Note 27 (ii))	(613.843)	(552.749)
Trade receivables – net	3.532.231	5.992.244
Receivable from related parties (Note 26)	4.335.314	3.824.917
Other receivables and prepayments	1.561.879	2.348.831
Advances to subcontractors	188.397	114.104
	9.617.821	12.280.096

17. TRADE AND OTHER RECEIVABLES *(continued)*

Trade and other receivables are analysed as follows:

	2018 €	2017 €
Non-current (due from related party note 26)	4.293.218	3.714.602
Current	5.324.603	8.565.494
	9.617.821	12.280.096

18. OTHER ASSETS

	2018 €	2017 €
Restricted cash	-	7.016.066
Fixed deposit	111.153	110.000
	111.153	7.126.066

Restricted cash represents balances that are restricted in use for guarantees issued by banks in favour of real estate clients (note 25). The cash is released from security as construction progresses.

19. CASH AND CASH EQUIVALENTS

	2018 €	2017 €
Unrestricted cash at bank	4.889.479	5.941.538
Cash in transit	13.134	22.977
Cash in hand	41.706	38.650
	4.944.319	6.003.165

Bank accounts are pledged under the loan agreement with the bank (Note 22).

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

	2018 €	2017 €
Cash and cash equivalents	4.944.319	6.003.165
Bank overdrafts (Note 22)	-	(204.893)
	4.944.319	5.798.272

Of the unrestricted cash held at bank, an amount of €166.428 (2017: €270.826) represents funds held for and on behalf of clients (i.e. clients' money), as part of the Group's property management operations, where payments are required to be made on behalf of clients (e.g. for settlement of utility bills).

20. SHARE CAPITAL

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
Authorised				
Shares of €0.17 each	70.000.000	11.900.000	70.000.000	11.900.000

	Number of shares	€	Number of shares	Total €
Issued and fully paid				
Ordinary shares of €0.17 each	69.960.584	11.893.299	69.960.584	11.893.299

21. OPERATING LEASE COMMITMENTS

The Group has entered into several agreements as lessee whereby it rents premises from owners of property located at Aphrodite Hills.

The future aggregate minimum rentals payable under non-cancelable operating leases are as follows:

	2018 €	2017 €
Less than one year	378.935	112.946
Between one year and five years	389.305	257.876
More than five years	-	5.000
	768.240	375.822

22. LOANS AND BORROWINGS

	2018 €	2017 €
Bank overdrafts	-	204.893
Junior loan from related party (Note 26)	27.772.385	28.558.360
Bank borrowings	41.606.643	45.580.323
Other bank financing arrangements	118.383	170.322
	69.497.411	74.513.898
Balance as at 31 December	69.497.411	74.513.898
Amount payable within one year (current portion)	(1.968.574)	(12.908.016)
Amount payable after more than one year (non-current portion)	67.528.837	61.605.882
The repayment of non-current loans is scheduled as follows:		
In more than one year, less than two years	9.057.732	1.676.058
In more than two years, less than five years	3.014.847	3.062.579
In more than five years	55.456.258	56.867.245
	67.528.837	61.605.882

22. LOANS AND BORROWINGS *(continued)*

The bank loan facility bears quarterly interest at the rate of Euribor plus a margin. The loan is separated into three tranches as follows:

- Tranche A: Initial €31 million which is connected to the hotel operations of Aphrodite Hotels Limited (subsidiary). The repayment of this tranche is in accordance with a pre-agreed schedule with a balloon payment upon maturity;
- Tranche B: Initial €11 million connected to the Company's real estate and golf operations. Repayment of this tranche is linked to real estate sales with the final due date being in 2025;
- Tranche C: Initial €8 million connected to the real estate operations of Aphrodite Springs Public Ltd (a company related by virtue of common ownership). The repayment of this tranche is linked to the sale of the real estate owned by the related company with the final due date being in 2020, as the maturity was extended during the year.

As at 31 December 2018, the balance of Tranche A amounted to €29.109.028 (including accrued interest) and for Tranches B and C amounted to €12.497.615 (including accrued interest).

The bank loan and bank overdraft are secured as follows:

- Pledge over the shares of the Company, its subsidiaries, a related company and its direct shareholder;
- Fixed and floating security charges provided by the Company, its subsidiaries and the aforementioned related company;
- Assignment of receivables under subordinated loans;
- Mortgages over the interests in the resort property and the land;
- Mortgages over the interests in the property and the land of the aforementioned related parties;
- Pledge over Group bank accounts;
- Corporate cross guarantees of the Company's shareholders and its subsidiaries;

As per the terms of the loan facility the Company is restricted from paying any dividends to its shareholder.

The key terms of the junior loan facility from the indirect shareholder are as follows:

- The total facility amount is €30 million;
- Fixed interest rate of 12% per annum. Unpaid interest is capitalized and itself bears interest;
- The loan is repayable in 2 installments due in 2025 and 2030;

Early repayments against the junior loan and accrued interest can be made from the Company's 'excess cash', as determined by a methodology stipulated in the bank loan agreement, provided the consent of the bank is received. Such early repayments amounting to €4.036 thousand were made during 2018.

Refer to note 29 for a post balance sheet event arising with respect to the junior loan.

	2018	2017
	%	%
Bank overdrafts	-	2,67%
Bank loans	1.52%	2,42%
Related party loan	12%	12%
Overall effective rate	**6,22%**	**6,13%**

23. DEFERRED TAX LIABILITIES

The movement on the deferred tax account is as follows:

	Difference between depreciation and capital allowances €	On tax losses carried forward €	Total €
At 1 January 2017	3.471.536	(66.038)	3.405.498
Charged to profit or loss (Note 10)	356.710	66.038	422.748
At 31 December 2017	3.828.246	-	3.828.246
At 1 January 2018	3.828.246	-	3.828.246
Charged to profit or loss (Note 10)	242.396	(35.000)	207.396
At 31 December 2018 – credit/(debit) balance	4.070.642	(35.000)	4.035.642

24. TRADE AND OTHER PAYABLES AND PROVISIONS

Trade and other payables	2018 €	2017 € **Restated*
Trade payables	4.139.237	5.181.633
Social insurance and other taxes	95.824	29.175
Payable to related parties (Note 26)	514	9.136
Other payables and accrued expenses	4.709.733	2.759.746
VAT payable	90.312	791.116
Financial liability due to bank (Note 4)	2.132.559	2.452.895
Other advances from clients	-	1.897.249
Advances from the sale of properties	-	22.828.158
Contract liabilities	10.435.312	-
	21.603.491	35.949.108

Provisions	2018 €	2017 €
Transfer fees payable under bank arrangements (Note 25)	-	387.264
Provision for bonuses	218.340	236.667
	218.340	623.931
Total trade and other payables and provisions	21.821.831	36.573.039

Trade and other payables and provisions are analysed as follows:

	2018 €	2017 €
Non-current	2.132.559	2.452.895
Current	19.689.272	34.120.144
	21.821.831	36.573.039

**Refer to note 4*

25. CONTINGENT LIABILITIES

- The Company entered as guarantor towards Bank of Cyprus in favor of customers when real estate sales were made to those customers. Legal procedures had been initiated by the bank against the Company in its capacity as guarantor for such loans due by customers amounting to approximately €6.9 million plus interest as at 31 December 2018 (2017: €8.2 million plus interest).

  The Company came to an agreement with the bank to pay the transfer fees for the defaulted properties to be transferred to Bank of Cyprus (should the bank decide to proceed with such action) in exchange for the Company being released of any further obligations under the guarantees. The bank had up to 31 December 2018 to ask for such cost coverage by the Company, after which point the Company is in any case completely released from any guarantee. As a result of this period elapsing without further action by the bank, a provision of €0,4 million was released to profit or loss (Note 6).

- The Group companies are guarantors for bank facilities granted to the Company and their shares are pledges for the same purpose.

- The Company has issued guarantees in favor of a number of real estate clients amounting to €0,1 million (2017: €7,1 million) as security for the remaining cost to completion of their properties. However, these guarantees are represented by cash held in restricted bank accounts (Note 18) thus limiting any exposure the Company may face.

26. RELATED PARTIES

For the purpose of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. As at 31 December 2018, the Company was wholly owned and controlled by Thalassa Holdings Limited, a company incorporated in Malta. As at the date of approval of these financial statements, the Group is ultimately controlled by NBG Pangaea REIC (Greece).

The transactions and balances with related parties are as follows:

Transactions

(a) Income

	2018	2017
	€	€
Interest on loan to associate (Note 9)	3.218	5.309

(b) Interest expense

	2018	2017
	€	€
Indirect shareholder (Note 9)	3.243.769	3.909.622

26. RELATED PARTIES *(continued)*

The transactions and balances with related parties are as follows:

Balances

(c) Balances

	2018 €	2017 €
Receivable from related parties (Note 17)		
Thalassa Holdings Limited (immediate shareholder)	-	10.012
Junior loan receivable from associate	39.186	97.393
Entities under common control/influence	4.296.128	3.717.512
	4.335.314	3.824.917
Payable to related parties		
Junior loan from indirect shareholder (Note 22)	27.772.385	28.558.360
Payable to associate (Note 24)	514	9.136
	27.772.899	28.567.496

The loan from the indirect shareholder bears interest at the rate of 12% per annum and is repayable in 2 installments due in 2025 and 2030. The loan receivable from the associate undertaking bears interest at the rate of 7,75% per annum and is repayable by 31 December 2020 through 60 equal monthly installments. All other balances are unsecured, bear no interest and are payable on demand. However, the Group issued a letter to a related party stating that it does not intend to demand payment of the balances due before February 2020. These balances are therefore presented as non-current given the anticipated repayment date.

(d) Remuneration of key management personnel

The salaries and other short term employment benefits of key management personnel amounted to €642.058 (2017: €470.000).

27. FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks from its use of financial instruments:

- Interest rate risk
- Credit risk
- Tourist and real estate industry risk
- Liquidity risk

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(i) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its borrowings and bank overdrafts as well as its loan receivable from the associate. Instruments issued at variable rates expose the Group to cash flow interest rate risk. Instruments issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

27. FINANCIAL RISK MANAGEMENT *(continued)*

(i) Interest rate risk *(continued)*

The interest rate profile of interest-bearing financial instruments was as follows as at 31 December:

	2018 €	2017 €
Fixed rate instruments		
Financial assets	39.186	207.393
Financial liabilities	(27.772.385)	(28.558.360)
	(27.733.199)	(28.350.967)
Variable rate instrument		
Financial liabilities	(41.725.026)	(45.955.538)

Sensitivity analysis

The table below indicates the effect on the Group's income statement from reasonably possible changes in the interest rates. The analysis assumes that all other variables remain constant.

An increase of 100 basis points and a decrease of 100 basis points in interest rates at the reporting date would have the following effect:

	Profit or loss	
	2018 €	2017 €
Variable rate instruments		
Financial liabilities	(417.250)	(459.555)

(ii) Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each counterparty. However, management also considers the factors that may influence the credit risk of the Group's customer base, including the default risk of the country in which counterparties operate.

Each customer is analysed either individually or on a collective basis regarding credit losses as at the reporting date.

As at 31 December 2018 and 1 January 2018, for the purpose of the collective assessment, the Company used an average loss rate calculated based on the Group's historic write-offs of trade receivable balances.

For the purpose of individual assessment management considers counterparty's trading history with the Group and existence of previous financial difficulties.

Macro factors do not have a significant impact on the historic loss rates due to the short-term nature of the Group's receivables.

The Group does not obtain collateral for balances receivable from third or related parties. The Group regularly monitors bank credit ratings.

27. FINANCIAL RISK MANAGEMENT *(continued)*

(ii) Credit risk *(continued)*

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk at the reporting date was:

	2018	2017
	€	€
Trade and other receivables (excluding advances and prepayments)	3.651.539	6.236.145
Other assets	111.153	7.126.066
Cash at bank	4.889.479	5.941.538
Receivables from related parties	4.335.314	3.824.917
	12.987.485	23.128.666

The Group's cash at bank are held with Bank of Cyprus Public Company Ltd. As at the reporting date, Moody's long-term deposit rating for Bank of Cyprus Public Company Ltd was Caa1 (2017: Caa1). The long term deposit rating for Bank of Cyprus Public Company Limited was upgraded to B3 subsequent to the year end. The generic rating B indicates that the bank's financial obligations are considered speculative and are subject to high credit risk. The numeric modifier 3 indicates a ranking in the lower end of the generic rating category.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures, due to which no impairment allowance has been recognised by the Company as at 31 December 2018 and 1 January 2018.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

Third party receivables	2018	2017
	€	€
Balance at 1 January	552.749	597.386
Adjustment on initial application on IFRS 9	53.551	-
Balance at 1 January under IFRS 9	606.300	597.386
Allowance for impairment	19.569	16.105
Reversal of allowance	(12.026)	(60.742)
Balance at 31 December	613.843	552.749

Related party receivables	2018	2017
	€	€
Balance at 1 January	-	-
Adjustment on initial application on IFRS 9	37.200	-
Balance at 1 January/31 December under IFRS 9	37.200	-

27. FINANCIAL RISK MANAGEMENT *(continued)*

(iii) Tourist and real estate industry risk

- The political situation in Cyprus, Greek-Turkish relations and the political situation in the Southeastern Mediterranean area may seriously impact the tourist industry
- The hotel and rental operations are characterised by a high degree of seasonality, with the high season between April and October, and low season between November and March.
- The competitiveness of Cyprus in the international tourist market and the increasing competition within the Cypriot market may affect the results of the hotel operations in particular.
- The economic situation in Europe may adversely affect the tourist industry due to the fact that the largest number of tourists comes from Europe.
- The UK referendum at the end of June 2016 which resulted in a vote for the UK to leave the EU ("Brexit") has the potential to significantly alter the risk landscape of the Group. Revenue streams are to some extent dependent on the performance of the long-term accommodation contracts with TUI UK Limited ("TUI"), a tour operator based in the UK. The outcome of the referendum has led to a greater uncertainty over the future economic performance of the UK economy in which TUI operates and therefore may adversely affect the number of reservations coming in from TUI. However, the short-term potential adverse effect is partly mitigated by the fact that certain accommodation contracts with tour operators include provisions for a minimum guaranteed turnover. Through the use of commitment contracts the Group attempts to mitigate the tourist industry and Brexit risk described above. In December 2017, TUI commitment contracts were extended until October 2022.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. It arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets. Attention should also be given to note 2 (b) of the financial statements which outlines the liquidity position at the Group.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2018	Carrying amounts €	Contractual cash flows €	Between 1-12 months €	Between 1-2 years €	Between 2-5 years €	More than 5 years €
Bank loans	41.606.643	48.744.028	2.217.932	9.932.081	5.024.944	31.569.071
Bank overdraft	-	-	-	-	-	-
Other bank financing arrangements	118.383	124.518	51.939	57.732	14.847	-
Junior loan from related party	27.772.385	58.511.600	3.283.800	3.283.800	9.851.400	42.092.600
Trade payables	4.235.061	4.235.061	4.235.061	-	-	-
Other payables and provisions	7.150.937	7.150.937	7.150.937	-	-	-
Payables to related parties	514	514	514	-	-	-
Tax liability	376.863	376.863	376.863	-	-	-
	81.260.786	119.143.521	17.317.046	13.273.613	14.891.191	73.661.671

27. FINANCIAL RISK MANAGEMENT *(continued)*

(iv) Liquidity risk *(continued)*

31 December 2017

Bank loans	45.580.323	53.281.098	12.920.782	1.747.028	5.110.824	33.502.464
Bank overdraft	204.893	204.893	204.893	-	-	-
Other bank financing arrangements	170.322	184.751	49.655	73.694	61.402	-
Junior loan from related party	28.558.360	61.793.400	3.283.000	3.283.000	9.851.400	45.376.000
Trade payables	5.210.808	5.210.808	5.210.808	-	-	-
Other payables and provisions	5.362.293	5.362.293	5.362.293	-	-	-
Payables to related parties	9.136	9.136	9.136	-	-	-
Tax liability	410.889	410.889	410.889	-	-	-
	85.507.024	126.457.268	27.451.456	5.103.722	15.023.626	78.878.464

As at 31 December 2018 the Company has available €5 million to be drawn from overdraft facilities with the bank.

28. FAIR VALUE MEASUREMENT OF LAND AND BUILDINGS

The fair value of land and buildings was determined by an external, independent property valuer who holds a recognized professional qualification. The valuation exercise was performed in March 2018 and the valuations derived for the properties did not vary significantly from the carrying values and as a result no fair value adjustments were recorded during the year. The fair value measurement for all land and buildings has been recognized as Level 3 fair value based on the inputs applied to the valuation technique.

The following table presents the valuation technique used in measuring the fair value of land and buildings as well as the significant unobservable inputs applied:

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Multiples approach The land and buildings of the Hotel, Spa, Golf, Tennis and Restaurant operations were valued at €63,8m on the basis of a multiples approach, whereby a multiple of 13 was applied to EBITDA (earnings before interest, tax, depreciation and amortization). *DCF approach* The value of land and buildings of shops let to 3rd parties on a long-term basis approximate its carrying value of €2,2m on the basis of DCF methodology. *Comparables approach* Other property used by the Group, including its head offices, were valued at €1,4m on the basis of a comparables approach using the value per square metre of similar properties.	*Multiples approach* • The average EBITDA generated by the relevant operation occupying that property for the 3 most recent financial years (2015, 2016 and 2017) was applied to the multiple of 13. *DCF approach* • The rental income generated during 2017 was extrapolated to perpetuity and discounted at a risk adjusted rate of 6%. *Comparables approach* • The value per square metre applied ranged from €2.500 to €3.000 depending on the particulars of each property.	The estimated fair value would increase (decrease) if: • Actual EBITDA is higher (lower); • The multiple applied was higher (lower); • Future earnings of the tenant shops are higher (lower); • The discount rate applied was lower (higher); • The price per square metre of the other property is higher (lower).

29. CAPITAL COMMITMENTS

The Group has entered into agreements with contractors and subcontractors for the development of the residential project Alexander Heights Phase B, Aeneas Project, Hotel Villas Infrastructure and the extension of the Clubhouse and Rentals division building. As at 31 December 2018, the remaining value of these contracts to which the Company is committed to make payments amounts to €8,52 million (2017: €6,57 million). These commitments are expected to be settled upon completion of the respective projects.

30. SUBSEQUENT EVENTS

Subsequent to the year end, the Company's shareholder entered into a share purchase agreement with new investors for the disposal of the Company's shares. As part of this transaction, the junior loan due by the Company to its indirect shareholder (Note 22) was repaid in full through financing obtained from the new shareholders. The new facilities bear interest at the rate of 9,25% per annum.