

APHRODITE SPRINGS PUBLIC LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018

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APHRODITE SPRINGS PUBLIC LIMITED
OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	George Misirlis, Cypriot Elias Neocleous, Cypriot Demetris Rotis, Cypriot Aristotelis Karytinis, Greek <i>(appointed on 28 March 2019)</i>
Secretary	P & D Secretarial Services Limited
Independent Auditors	KPMG Limited
Banker	Bank of Cyprus Public Company Ltd
Registered Office	Office 303, Agathaggelos Court 10 Georgiou Genadiou Street 3041 Limassol Cyprus
Registration number	HE174743

APHRODITE SPRINGS PUBLIC LIMITED

MANAGEMENT REPORT

The Board of Directors of **Aphrodite Springs Public Limited** (the "Company") presents to the members its Annual Report together with the audited financial statements of the Company for the year ended 31 December 2018.

CHANGE OF COMPANY NAME AND LEGAL FORM

On 13 December 2017, the Company changed its legal form from a private limited liability company to that of a public company and on 2 January 2018 was subsequently renamed from Aphrodite Hills (Lakkos tou Frangou) Limited to Aphrodite Springs Public Limited.

PRINCIPAL ACTIVITY

The principal activity of the Company continues to be the development and operation of a golf course and real estate (including the separation of land into building plots) and related amenities.

FINANCIAL RESULTS AND POSITION

The Company's financial results for the year ended 31 December 2018 and its financial position as at that date are set out in the statement of profit or loss and other comprehensive income and the statement of financial position on pages 7 and 8 respectively. The loss for the year amounted to €52.101 (2017: loss of €13.249).

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

The Company continues to be reliant on the financial support of related parties (refer to note 2(c)) at these early stages of its operation where it is planning the development and financing of its golf development and real estate project in the Aphrodite Hills area of Pafos. In addition, the Company is in the process of obtaining building permits for a) plot & road separations, and b) the clubhouse and maintenance building.

DIVIDENDS

The Board of Directors does not recommend the payment of a dividend and the loss for the year is transferred to reserves.

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 13 to the financial statements.

FORSEEABLE FUTURE DEVELOPMENTS

During the year, the Company obtained the Town Planning Permit for its golf development and plot separation (note 15). The Board of Directors is now in the process of preparing detailed studies for the project and preparing the Company for a listing on the Cyprus Stock Exchange Emerging Companies Market in order to attract investors to invest in the Company.

SHARE CAPITAL

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

MANAGEMENT REPORT (continued)

BRANCHES

During the year ended 31 December 2018 the Company did not operate any branches.

BOARD OF DIRECTORS

The members of the Company's 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 Karytinis was appointed to the Board of Directors. In accordance with the Company's Articles of Association, Mr. Elias Neocleous and Mr. Aristotelis Karytinis currently in office retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

There were no significant changes to 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 16 to the financial statements.

INDEPENDENT AUDITORS

The independent auditors of the Company, 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,



Demetris Rotis
Director

Limassol, 29 July 2019



KPMG Limited
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
APHRODITE SPRINGS PUBLIC LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of **Aphrodite Springs Public Limited** (the "Company"), which are presented on pages 7 to 24 and comprise the statement of financial position as at 31 December 2018, and the 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 financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("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 financial statements" section of our report. We remained independent of the Company 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 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.

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF APHRODITE SPRINGS PUBLIC LIMITED *(continued)*

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 financial statements and our auditors' report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 financial statements

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

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to either liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF APHRODITE SPRINGS PUBLIC LIMITED *(continued)*

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

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

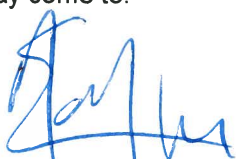
Report on other legal requirements

Pursuant to the additional requirements of the Auditor's 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 financial statements.
- In the light of the knowledge and understanding of the business and the Company's 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

29 July 2019

APHRODITE SPRINGS PUBLIC LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEFor the year ended 31 December 2018

	Note	2018 €	2017 €
Administrative expenses		<u>(52.020)</u>	<u>(13.093)</u>
Operating loss before financing expenses		(52.020)	(13.093)
Net financing expenses	5	<u>(81)</u>	<u>(156)</u>
Loss before tax		(52.101)	(13.249)
Taxation	6	<u>-</u>	<u>-</u>
Loss for the year		(52.101)	(13.249)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u><u>(52.101)</u></u>	<u><u>(13.249)</u></u>

The notes on pages 11 to 24 are an integral part of these financial statements.

APHRODITE SPRINGS PUBLIC LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 €	2017 €
ASSETS			
Non-current assets			
Property, plant and equipment	7	3.964.493	3.401.085
Other receivables and prepayments	8	154.355	149.025
Restricted bank balances	9	57.540	57.615
Total non-current assets		<u>4.176.388</u>	<u>3.607.725</u>
Current assets			
Receivables from shareholders	8	22.245	22.245
Other receivables and prepayments	8	2.738	708
Total current assets		<u>24.983</u>	<u>22.953</u>
Total assets		<u>4.201.371</u>	<u>3.630.678</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	10	34.200	34.200
Share premium		2.385.201	2.385.201
Accumulated losses		(3.043.724)	(2.991.623)
Total equity		<u>(624.323)</u>	<u>(572.222)</u>
Liabilities			
Non-current liabilities			
Payable to shareholder	12(ii)	-	478.996
Payables to related companies	12(i)	4.333.075	3.714.602
Total non-current liabilities		<u>4.333.075</u>	<u>4.193.598</u>
Current liabilities			
Payable to shareholder	12(ii)	478.996	-
Payables to related companies	12(i)	2.910	2.910
Other payables and accruals	11	10.713	6.392
Total current liabilities		<u>492.619</u>	<u>9.302</u>
Total liabilities		<u>4.825.694</u>	<u>4.202.900</u>
Total equity and liabilities		<u>4.201.371</u>	<u>3.630.678</u>

The financial statements were approved by the Board of Directors on 29 July 2019.

.....
Elias Neocleous
Director

.....
Demetris Rotis
Director

The notes on pages 11 to 24 are an integral part of these financial statements.

APHRODITE SPRINGS PUBLIC LIMITED

STATEMENT OF CHANGES IN EQUITYFor the year ended 31 December 2018

	Note	Share capital €	Share premium €	Accumulated losses €	Total €
Balance at 1 January 2017		8.550	2.385.201	(2.978.374)	(584.623)
<i>Total comprehensive loss for the year</i>					
Loss for the year		-	-	(13.249)	(13.249)
Other comprehensive income for the year		-	-	-	-
<i>Transactions with owners recorded directly in equity</i>					
Issue of ordinary shares	10	<u>25.650</u>	<u>-</u>	<u>-</u>	<u>25.650</u>
Balance at 31 December 2017		<u>34.200</u>	<u>2.385.201</u>	<u>(2.991.623)</u>	<u>(572.222)</u>
Balance at 1 January 2018		34.200	2.385.201	(2.991.623)	(572.222)
<i>Total comprehensive loss for the year</i>					
Loss for the year		-	-	(52.101)	(52.101)
Other comprehensive income for the year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December 2018		<u>34.200</u>	<u>2.385.201</u>	<u>(3.043.724)</u>	<u>(624.323)</u>

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% will be payable on such deemed dividend to the extent that the ultimate shareholders at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax residents and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence is paid by the company for the account of the shareholders.

The notes on pages 11 to 24 are an integral part of these financial statements.

APHRODITE SPRINGS PUBLIC LIMITED

STATEMENT OF CASH FLOWSFor the year ended 31 December 2018

	Note	2018 €	2017 €
Cash flows from operating activities			
Loss for the year		<u>(52.101)</u>	<u>(13.249)</u>
Cash flows used in operations before working capital changes		<u>(52.101)</u>	<u>(13.249)</u>
Increase in other receivables and prepayments		(7.360)	(24.566)
Increase in other payables		622.794	13.601
Decrease in restricted bank balances		<u>75</u>	<u>43.558</u>
Cash generated from operations		<u>563.408</u>	<u>19.344</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	7	<u>(563.408)</u>	<u>(44.994)</u>
Net cash used in investing activities		<u>(563.408)</u>	<u>(44.994)</u>
Cash flows from financing activities			
Proceeds from issue of share capital	10	<u>-</u>	<u>25.650</u>
Net cash generated from financing activities		<u>-</u>	<u>25.650</u>
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		<u>-</u>	<u>-</u>
Cash and cash equivalents at end of the year		<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 11 to 24 are an integral part of these financial statements.

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Aphrodite Springs Public Limited (the "Company") was incorporated in Cyprus on 7 April 2006 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at Office 303, Agathaggelos Court, 10 Georgiou Genadiou Street, 3041, Limassol, Cyprus.

The principal activity of the Company continues to be the development and operation of a golf course and real estate (including the separation of land into building plots) and related amenities.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements 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 financial statements were approved by the Board of Directors on 29 July 2019.

(b) Basis of measurement

The financial statements are for the year ended 31 December 2018 and have been prepared under the historical cost convention.

(c) Going concern

The Company incurred a loss of €52.101 during the year ended 31 December 2018 and, as of that date, the Company's total liabilities exceeded its total assets by €624.323. Furthermore, following the granting of the planning permit for the development of its golf and real estate project (note 15), the Company is due to make annual payments of €500.000 to the authorities and will continue to incur other expenses in the foreseeable future as the strategy for execution of this project develops and progresses.

Notwithstanding the above, these financial statements have been prepared on a going concern basis as the Board of Directors considers that no material uncertainty exists in relation to the Company's ability to continue as a going concern. The following factors were considered when making this determination:

- Aphrodite Hills Resort Ltd ("AHRL"), a related party by virtue of common control, confirmed to the Company in writing on 26 July 2019 that it has the intention and the ability to continue providing the necessary financial support to the Company to enable it to continue as a going concern and to meet its obligations as they fall due.
- On the same date AHRL provided written confirmation to the Company that it would not call in the balance due to it by the Company and amounting to €4.333.075 as at 31 December 2018, for a period of at least eighteen months from 26 July 2019, and thereafter for the foreseeable future until such time as the Company's Board of Directors itself determines that it has sufficient funds to be able to make payments against this balance. A similar confirmation was also issued on 12 June 2018.
- Lanitis E.C. Holdings Ltd (a minority shareholder as at the reporting date) also provided written confirmation to the Company on 20 June 2018 stating that it would not call in the balance due to it by the Company and amounting to €478.996 as at 31 December 2017 (and which remained the same as at the reporting date), for a period of at least twelve months from the date of signing of that letter and thereafter for the foreseeable future. This balance was subsequently waived by the counterparty in 2019 (note 16).
- The fair value of the land owned by the Company has been estimated by an independent valuer at €35 million which far exceeds its carrying value. This provides additional comfort as the fair value of the Company's assets exceed its liabilities (the land is currently accounted for at cost).

APHRODITE SPRINGS PUBLIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018

2. BASIS OF PREPARATION *(continued)***(d) Adoption of new and revised IFRS and Interpretations as adopted by the EU**

During the current year the Company 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 Company. The transition impact of the adoption of IFRS 9 “Financial Instruments” is explained in note 3.

At the date of approval of these 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, 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 Company.

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the 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 sources. Actual results may deviate from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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 following are the critical judgments concerning the application of accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Value added tax (VAT)

Significant judgment is required in determining the recoverability of VAT refundable and/or the provision for claims by the VAT authorities. The Company accounts for anticipated issues based on estimates of whether taxes are refundable or additional taxes will be due. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the VAT receivables/provisions in the period in which such determination is made.

Management records a provision for uncertain VAT matters based on the information available, its judgment and on the likelihood that such uncertain matters will lead to additional liabilities.

(f) Functional and presentation currency

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

APHRODITE SPRINGS PUBLIC LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Company has initially applied IFRS 9 from 1 January 2018.

Due to transition methods chosen by the Company 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:

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 Company 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 other comprehensive income.

Additionally, the Company 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.

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.

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 Company’s accounting policies related to financial liabilities.

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

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2018**3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES** *(continued)**IFRS 9 "Financial Instruments" (continued)*

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 €	New carrying amount under IFRS 9 €
Financial assets				
Other receivables and prepayments	Loans and receivables	Amortised cost	149.733	149.733
Restricted bank balances	Loans and receivables	Amortised cost	57.615	57.615
Receivable from shareholders	Loans and receivables	Amortised cost	22.245	22.245
Total financial assets			<u>229.593</u>	<u>229.593</u>

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 €	New carrying amount under IFRS 9 €
Financial liabilities				
Payables to related companies	Other financial liabilities	Other financial liabilities	3.715.512	3.715.512
Payable to shareholder	Other financial liabilities	Other financial liabilities	478.996	478.996
Other payables and accruals	Other financial liabilities	Other financial liabilities	6.392	6.392
Total financial liabilities			<u>4.200.900</u>	<u>4.200.900</u>

The financial assets that were classified as loans and receivables under IAS 39 are now classified as financial assets at amortised cost. No significant allowance for impairment over these receivables was identified to require recognition in opening retained earnings at 1 January 2018 on transition to IFRS 9.

4. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements, except if mentioned otherwise (see also note 3).

Finance/income expenses

Finance income/expenses comprises bank charges, interest expense, interest income and foreign exchange losses and gains. Interest income/expense is recognised in the income statement as it accrues, using the effective interest method.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation is realizable in the statement of profit or loss on the straight line method over the useful lives of each part of an item of property, plant and equipment. Since the golf development project is still under construction and consequently the assets are not yet in use there is no provision for depreciation.

No depreciation is provided on land.

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

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment consists of golf buildings and infrastructure which are currently under construction. These are stated at historical cost. Cost comprises direct construction costs as well as other expenses related to the construction.

The capitalization of expenses is terminated once all necessary work relating to the construction of the fixed asset for its predetermined use is effectively completed.

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 statement of financial position date. Current tax includes any adjustments to tax payable in respect of previous periods.

Financial instruments

Recognition and initial measurement

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. 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.

Financial assets - classification and subsequent measurement

Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI-debt investment; FVOCI-equity investment; or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and 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.

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

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

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets - classification and subsequent measurement (continued)

Policy applicable from 1 January 2018 (continued)

All financial assets are classified as current assets unless the Company 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 Company 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

On initial recognition, the Company classifies financial liabilities as other financial liabilities. Other financial liabilities are liabilities that are either designated in this category or not classified at FVTPL.

Other financial liabilities comprise of trade and other payables and amounts payable to related parties.

They are classified as current liabilities unless there is an unconditional right to defer settlement for at least twelve months after the balance sheet date, in which case they are classified as long term liabilities.

Financial instruments – classification and subsequent measurement

Policy applicable before 1 January 2018

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses (see further below).

Cash and cash equivalents comprise cash at bank. Restricted bank balances are classified as non-current.

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.

Payables are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date, in which case they are classified as long term liabilities.

Ordinary shares are classified as equity.

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets

Policy applicable from 1 January 2018

The Company 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 Company 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 Company 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 Company’s historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due

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

- The borrower is unlikely to pay its credit obligations to the Company 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

At each reporting date, the Company 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:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company 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.

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

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

Policy applicable from 1 January 2018 (continued)

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company 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 Company 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 Company'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 have 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.

Derecognition of financial assets and liabilities

Financial assets

The Company derecognises a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when:

- the contractual rights to receive cash flows from the asset have expired;
- the Company 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 Company transfers the rights to receive the contractual 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 Company is recognised as a separate asset or liability

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2018**4. SIGNIFICANT ACCOUNTING POLICIES** *(continued)***Derecognition of financial assets and liabilities** *(continued)**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 reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

5. NET FINANCING EXPENSES

	2018 €	2017 €
Bank charges	<u>81</u>	<u>156</u>

6. TAXATIONReconciliation of tax based on the taxable income and tax based on accounting losses:

	2018 €	2017 €
Accounting loss before tax	<u>(52.101)</u>	<u>(13.249)</u>
Tax calculated at the applicable corporation tax rates	(6.513)	(1.656)
Tax effect of expenses not deductible for tax purposes	61	802
Current year losses for which no deferred tax asset is recognised	<u>6.452</u>	<u>854</u>
	<u>-</u>	<u>-</u>

The corporation tax rate is 12,5%.

As at the reporting date, a deferred tax asset has not been recognized in respect of accumulated tax losses amounting to €94 thousand, as it is not probable that future taxable profit will be generated against which the Company can utilize benefits therefrom. An amount of tax losses expires each year, and these tax losses fully expire by 31 December 2023.

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2018**7. PROPERTY, PLANT AND EQUIPMENT**

2018	Land	Golf development project under construction	Total
	€	€	€
Balance at 1 January 2018	2.468.786	932.299	3.401.085
Additions	-	563.408	563.408
Balance at 31 December 2018	<u>2.468.786</u>	<u>1.495.707</u>	<u>3.964.493</u>

2017

Balance at 1 January 2017	2.468.786	887.305	3.356.091
Additions	-	44.994	44.994
Balance at 31 December 2017	<u>2.468.786</u>	<u>932.299</u>	<u>3.401.085</u>

The Company's property is charged with a mortgage to a bank for a facility provided to a company that is related by virtue of common control.

During 2018, a payment was made to the authorities (on behalf of the Company by an entity related by virtue of common control) for the first installment of the planning permit (note 15). This amount has been capitalized to the golf development project.

8. OTHER RECEIVABLES AND PREPAYMENTS

	2018 €	2017 €
Receivables from shareholders (Note 12 (iii))	22.245	22.245
Other receivables and prepayments	2.738	708
VAT refundable	<u>154.355</u>	<u>149.025</u>
	<u>179.338</u>	<u>171.978</u>
Non-current portion	154.355	149.025
Current portion	<u>24.983</u>	<u>22.953</u>
	<u>179.338</u>	<u>171.978</u>

VAT refundable was recognised on the basis that it will be offset with future output VAT, following the commencement of the Company's operations and for this reason is accounted for as a non-current asset.

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2018**9. RESTRICTED BANK BALANCES**

	2018 €	2017 €
Restricted bank balances	<u>57.540</u>	<u>57.615</u>

As at 31 December 2018, the Company held €57.540 (2017: €57.615) with the Bank of Cyprus. This balance is restricted in use by, and also is pledged to, the aforementioned bank for a facility it provided to a company related by virtue of common control. The Company has the right to request use of these funds when required, subject to approval from the bank. Restricted bank balances do not constitute cash and cash equivalents for the purposes of the cash flow statement.

10. SHARE CAPITAL

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
Authorised				
Shares of €1,71 each	<u>20.000</u>	<u>34.200</u>	<u>20.000</u>	<u>34.200</u>
		€		€
Issued and fully paid				
Ordinary shares of €1,71 each	<u>20.000</u>	<u>34.200</u>	<u>20.000</u>	<u>34.200</u>

On 22 November 2017 following a members' resolution the authorised share capital was increased from 5.000 to 20.000 shares of €1,71. On 1 December 2017, following another members' resolution, the Company issued 15.000 ordinary shares of €1,71 each to both existing and new shareholders.

11. OTHER PAYABLES AND ACCRUALS

	2018 €	2017 €
Accruals	10.713	6.392
Shareholder's current account (Note 12 (ii))	478.996	478.996
Payables to related companies (Note 12 (i))	<u>4.335.985</u>	<u>3.717.512</u>
	<u>4.825.694</u>	<u>4.202.900</u>
Non-current portion	4.333.075	4.193.598
Current portion	<u>492.619</u>	<u>9.302</u>
	<u>4.825.694</u>	<u>4.202.900</u>

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 13 to the financial statements.

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. RELATED PARTY TRANSACTIONS

For the purpose of these financial statements, parties are considered to be related to the Company if the Company 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 Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. The Company's immediate controlling shareholder is Alpha Lofos Malta Limited, incorporated in Malta. As at the date of approval of these financial statements, the Company is ultimately controlled by NBG Pangaea REIC (Greece).

The transactions and balances with related parties are as follows:

(i) Payables to companies related by virtue of common control

		2018 €	2017 €
<u>Name</u>	<u>Nature of transactions</u>		
Aphrodite Hills Resort Limited	Financing	4.333.075	3.714.602
Aphrodite Hotels Limited	Trading	<u>2.910</u>	<u>2.910</u>
		<u>4.335.985</u>	<u>3.717.512</u>

The above balances are interest free and have no specified repayment date, though for the balance due to Aphrodite Hills Resort Limited, the balance cannot be called for repayment by the counterparty until the Board of Directors of the Company itself determines that the Company has sufficient and available financial resources to do so, over and above its current and anticipated future obligations to other parties.

(ii) Shareholders' current account - credit balance

		2018 €	2017 €
	<u>Nature of transactions</u>		
Non controlling shareholder	Financing	<u>478.996</u>	<u>478.996</u>

The above balance is interest free and has no specified repayment date though the balance cannot be called for repayment by the counterparty until the Board of Directors of the Company itself determines that the Company has sufficient and available financial resources to do so, over and above its current and anticipated future obligations to other parties.

The balance due to the non-controlling shareholder was waived subsequent to the year end (note 16).

(iii) Shareholders' current account - debit balance

		2018 €	2017 €
Controlling shareholder		22.232	22.232
Non controlling shareholders		<u>13</u>	<u>13</u>
		<u>22.245</u>	<u>22.245</u>

The shareholders' current accounts are interest free, and have no specified repayment date.

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. FINANCIAL RISK MANAGEMENT

Financial risk factors

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

- Credit risk
- Liquidity risk

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

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. As at 31 December 2018, 65% of the financial assets is due from the VAT authorities of Cyprus.

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

	2018 €	2017 €
Other receivables and prepayments	2.738	708
Restricted bank balances	57.540	57.615
VAT refundable	154.355	149.025
Shareholders' current account	22.245	22.245
	<u>236.878</u>	<u>229.593</u>

The Company's restricted bank balances are held with Bank of Cyprus Public Company Limited. As at the reporting date, Moody's long-term credit rating for Bank of Cyprus was B3.

(ii) Liquidity risk

Liquidity risk is the risk that the Company 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 Company relies on the support of related parties when managing liquidity (see note 2(c)).

The following are the contractual maturities of financial liabilities:

31 December 2018	Carrying amounts €	Contractual cash flows €	Between 1-12 months €	Between 1-2 years €	Between 2-5 years €	More than 5 years €
Other payables and accruals	10.713	10.713	10.713	-	-	-
Payables to shareholders	478.996	478.996	478.996	-	-	-
Payables to related companies	<u>4.335.985</u>	<u>4.335.985</u>	<u>2.910</u>	<u>4.333.075</u>	-	-
	<u>4.825.694</u>	<u>4.825.694</u>	<u>492.619</u>	<u>4.333.075</u>	-	-

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. FINANCIAL RISK MANAGEMENT *(continued)*

(ii) Liquidity risk (continued)

31 December 2017	Carrying amounts €	Contractual cash flows €	Between 1-12 months €	Between 1-2 years €	Between 2-5 years €	More than 5 years €
Other payables and accruals	6.392	6.392	6.392	-	-	-
Payables to shareholders	478.996	478.996	-	478.996	-	-
Payables to related companies	<u>3.717.512</u>	<u>3.717.512</u>	<u>2.910</u>	<u>3.714.602</u>	<u>-</u>	<u>-</u>
	<u>4.202.900</u>	<u>4.202.900</u>	<u>9.302</u>	<u>4.193.598</u>	<u>-</u>	<u>-</u>

14. CONTINGENT LIABILITIES

There Company's assets are subject to a fixed and floating charge in favour of a bank for a facility provided to a company related by virtue of common control.

15. CAPITAL COMMITMENTS

- The Company has obtained the necessary town planning permit for the golf development and plot separation. The planning permit was granted subject to certain conditions being met. Amongst other things, the Company must pay €5 million in 10 equal yearly installments, the first of which was settled during 2018 and the second of which was settled in July 2019. Both the aforementioned payments were made to the authorities by Aphrodite Hills Resort Limited on behalf of the Company.
- The Company signed a contract with Cabel B. Robinson S.L. (golf course architects) for the design and overall supervision of the golf development project. The total value of the contract is €340.000 of which work amounting to €30.000 has been undertaken to date. As the permit has now been granted, the Board of Directors expects that the remaining work under this contract is expected to be executed once investors and the necessary financing are secured.
- The Company during the previous year, entered into an agreement with A.S.D Hyperstatic Engineering Design for the design of infrastructure which is required to be submitted for the Building Permit for an amount of €70.000 plus applicable VAT. As at 31 December 2018, the Company has paid €50.000 of this amount.

16. SUBSEQUENT EVENTS

Subsequent to the year end, the non-controlling shareholder released the Company from its obligation to pay the balance due to them and amounting to €478.996 following their complete divestment from the Company in 2019.

Other than the events mentioned in note 15 "Capital Commitments", there were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

