

**APHRODITE HILLS RESORT LIMITED**

**REPORT AND CONSOLIDATED  
FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**APHRODITE HILLS RESORT LIMITED**  
**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**C O N T E N T S**

	<b>Page</b>
Officers and professional advisors	i
Management report	2 & 3
Independent auditors' report	4 - 6
Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of changes in equity	9
Consolidated statement of cash flows	10
Notes to the consolidated financial statements	11 - 45

1

**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 Karytinis, Greece
Company 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	Flat 303, 3 <sup>rd</sup> Floor, 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 Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2019.

#### **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 properties 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 2019 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 €268.981 (2018: €6.256.938).

#### **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 26 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.

#### **BRANCHES**

During the year ended 31 December 2019 the Group did not operate any branches.

**APHRODITE HILLS RESORT LIMITED****MANAGEMENT REPORT** *(continued)***BOARD OF DIRECTORS**

The members of the Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1. All were members of the Board of Directors throughout the year ended 31 December 2019 and up to the date of signing this report, except for Mr. Aristotelis Karytinis which was appointed on 28 March 2019.

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 2019 are described in note 29 to the consolidated 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 next Annual General Meeting.

By order of the Board of Directors,

  
P & D Secretarial Services Limited  
Secretary

**P&D SECRETARIAL  
SERVICES LTD**  
COMPANY SECRETARY

Limassol, 18 August 2020



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 (together with the Company, the "Group"), which are presented on pages 7 to 43 and comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants ("IESBA Code") together with 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.

Nicosia  
P.O. Box 21121 1502  
T: +357 22 209000  
F: +357 22 678200

Paphos  
P.O. Box 60268 8101  
T: +357 26 943050  
F: +357 26 943057

P.O. Box Chrysothessalon  
P.O. Box 66014 8330  
T: +357 26 322098  
F: +357 26 322722

Larnaca  
P.O. Box 40075 6300  
T: +357 24 200000  
F: +357 24 200200

Paralimni / Ayia Napa  
P.O. Box 33200 5311  
T: +357 23 820080  
F: +357 23 820084

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF APHRODITE HILLS RESORT LIMITED *(continued)*

#### *Other information*

The Board of Directors is responsible for the other information. The other information comprises 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 Company 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

### TO THE MEMBERS OF APHRODITE HILLS RESORT LIMITED *(continued)*

#### *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 of 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 business and the Group'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 16<sup>th</sup> 1943 Street  
3022 Limassol  
Cyprus

9 October 2020



## APHRODITE HILLS RESORT LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 €	2018 €
Revenue	4	38.071.094	50.911.662
Cost of sales		<u>(25.223.358)</u>	<u>(32.530.807)</u>
<b>Gross profit</b>		12.847.736	18.380.855
Other operating income	5	881.154	1.060.392
Marketing and administrative expenses		(9.527.713)	(7.996.345)
Reversal of impairment on property, plant and equipment	10	4.650.000	-
Revaluation loss on property, plant and equipment	10	(4.605.372)	-
Reversal/(impairment) allowance for trade receivables		<u>100.677</u>	<u>(19.569)</u>
<b>Operating profit before financing activities</b>	6	4.346.482	11.425.333
Net finance expenses	8	<u>(4.024.363)</u>	<u>(4.528.725)</u>
<b>Operating profit after financing activities</b>		322.119	6.896.608
Share of profit from associate, net of tax	12	<u>159.447</u>	<u>136.436</u>
<b>Profit before tax</b>		481.566	7.033.044
Taxation	9	<u>(212.585)</u>	<u>(776.106)</u>
<b>Profit for the year</b>		268.981	6.256.938
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><u>268.981</u></u>	<u><u>6.256.938</u></u>

The notes on pages 11 to 45 form an integral part of these consolidated financial statements.

**APHRODITE HILLS RESORT LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019

	Note	31/12/2019 €	31/12/2018 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	67.210.702	67.381.160
Investment property	11	2.305.324	2.204.608
Right-of-use asset	23	827.940	-
Interest in associate	12	421.367	341.919
Deferred tax assets	21	196.431	35.000
Trade and other receivables	16	<u>4.850.078</u>	<u>4.293.218</u>
<b>Total non-current assets</b>		<b><u>75.811.842</u></b>	<b><u>74.255.905</u></b>
<b>Current assets</b>			
Inventories	15	11.511.718	10.718.765
Trade and other receivables	16	3.311.323	5.324.603
Other assets	17	112.183	111.153
Cash and cash equivalents	18	<u>4.029.851</u>	<u>4.944.319</u>
<b>Total current assets</b>		<b><u>18.965.075</u></b>	<b><u>21.098.840</u></b>
<b>Total assets</b>		<b><u>94.776.917</u></b>	<b><u>95.354.745</u></b>
<b>EQUITY</b>			
<b>Equity and reserves</b>			
Share capital	19	11.893.299	11.893.299
Share premium		95.950.906	95.950.906
Retained earnings		(108.034.116)	(108.303.097)
Translation reserve		<u>46.890</u>	<u>46.890</u>
<b>Total equity</b>		<b><u>(143.021)</u></b>	<b><u>(412.002)</u></b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	21	4.438.490	4.070.642
Loans and borrowings	20	58.972.878	67.528.837
Lease liability	23	305.435	-
Trade and other payables and provisions	22	<u>2.132.559</u>	<u>2.132.559</u>
<b>Total non-current liabilities</b>		<b><u>65.849.362</u></b>	<b><u>73.732.038</u></b>
<b>Current liabilities</b>			
Trade and other payables and provisions	22	14.932.901	19.689.272
Loans and borrowings	20	13.326.312	1.968.574
Lease liability	23	716.249	-
Tax liability	14	<u>95.114</u>	<u>376.863</u>
<b>Total current liabilities</b>		<b><u>29.070.576</u></b>	<b><u>22.034.709</u></b>
<b>Total liabilities</b>		<b><u>94.919.938</u></b>	<b><u>95.766.747</u></b>
<b>Total equity and liabilities</b>		<b><u>94.776.917</u></b>	<b><u>95.354.745</u></b>

On 18 August 2020 the Board of Directors of Aphrodite Hills Resort Limited authorised these consolidated financial statements for issue.

.....  
George Misirlis, Director

.....  
Elias Neocleous, Director

The notes on pages 11 to 45 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 2019

	Share capital (Note 19) €	Share Premium €	Translation reserve €	Accumulated losses €	Total €
<b>Balance at 1 January 2018</b>	11.893.299	95.950.906	46.890	(114.560.035)	(6.668.940)
<i>Total comprehensive income for the year</i>					
Profit for the year	-	-	-	6.256.938	6.256.938
Other comprehensive income	-	-	-	-	-
<b>Balance at 31 December 2018</b>	<u>11.893.299</u>	<u>95.950.906</u>	<u>46.890</u>	<u>(108.303.097)</u>	<u>(412.002)</u>
<b>Balance at 1 January 2019</b>	11.893.299	95.950.906	46.890	(108.303.097)	(412.002)
<i>Total comprehensive income for the year</i>					
Profit for the year	-	-	-	268.981	268.981
Other comprehensive income	-	-	-	-	-
<b>Balance at 31 December 2019</b>	<u>11.893.299</u>	<u>95.950.906</u>	<u>46.890</u>	<u>(108.034.116)</u>	<u>(143.021)</u>

The notes on pages 11 to 45 form an integral part of these consolidated financial statements.

**APHRODITE HILLS RESORT LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2019**

	2019 €	2018 €
<b>Cash flows from operating activities</b>		
Profit for the year	268,981	6,256,938
Adjustments for:		
Depreciation of property, plant and equipment	2,342,120	2,334,993
Reversal of provisions for transfer fees	-	(387,265)
Interest income	(3,784)	-
Share of profit from associate, net of tax	(159,447)	(136,436)
Profit from the disposal of property, plant and equipment	-	(1,500)
Taxation (excluding immovable property tax)	212,585	776,106
(Reversal of provision)/provision for bad and doubtful debts - net	(100,677)	19,569
Gain on legal case	-	(99,432)
Depreciation of the right-of-use asset	471,634	-
Interest expense on lease liability	51,984	-
Foreign exchange differences	649	-
Reversal of impairment on property, plant and equipment	(4,650,000)	-
Revaluation loss on property, plant and equipment	4,605,372	-
Interest expense	<u>3,852,821</u>	<u>4,363,878</u>
<b>Cash flows from operating activities before working capital changes</b>	<b>6,892,238</b>	<b>13,126,851</b>
(Increase)/decrease in inventories	(792,953)	3,052,005
Decrease in trade and other receivables	1,560,232	2,445,603
(Increase)/decrease in other assets	(1,030)	7,014,913
Decrease in trade and other payables	<u>(4,756,371)</u>	<u>(14,158,159)</u>
<b>Cash flows from operating activities</b>	<b>2,902,116</b>	<b>11,481,213</b>
Tax paid	<u>(287,916)</u>	<u>(602,736)</u>
<b>Net cash flows from operating activities</b>	<b><u>2,614,200</u></b>	<b><u>10,878,477</u></b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment	(2,127,034)	(2,679,547)
Acquisition of investment property	(100,716)	-
Dividend received from associate undertaking	79,999	121,089
Proceeds from the disposal of property, plant and equipment	<u>-</u>	<u>1,500</u>
<b>Net cash flows used in investing activities</b>	<b><u>(2,147,751)</u></b>	<b><u>(2,556,958)</u></b>
<b>Cash flows from financing activities</b>		
Loan principal repayments	(29,576,363)	(8,029,122)
Finance lease repayments	(329,874)	-
Proceeds from loans	28,467,158	-
Interest paid	<u>(1,571,687)</u>	<u>(1,146,350)</u>
<b>Net cash flows used in financing activities</b>	<b><u>(3,010,766)</u></b>	<b><u>(9,175,472)</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,544,317)</b>	<b>(853,953)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b><u>4,944,319</u></b>	<b><u>5,798,272</u></b>
<b>Cash and cash equivalents at end of the year</b>	<b><u><u>2,400,002</u></u></b>	<b><u><u>4,944,319</u></u></b>

The notes on pages 11 to 45 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 2019**

**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 Flat 303, 3<sup>rd</sup> Floor, 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 authorised for issue by the Board of Directors on 18 August 2020.

This is the first set of the Group’s financial statements in which IFRS 16 “Leases” has been applied. Changes to significant accounting policies are described in note 2(f).

**(b) Going concern basis of accounting**

As at 31 December 2019, the equity deficit amounted to €0,1 million. Even though the Group’s current liabilities exceeded its current assets by €10,1 million, the current liabilities include a short-term portion of the bank loan of €8 million of which, upon the exercising of an extension option available to the Company in 2020, €4 million will be transferred to the real estate tranche (which is linked to the real estate sales) and the maturity of the remaining €4 million will be extended to 2025 (see Note 20). In addition, the current liabilities include €3,9 million of contracts liabilities (Note 22) that will not give rise to a future cash outflow as these represent deferred income. Taking into consideration the above, the Group’s adjusted current assets exceed adjusted current liabilities by €1,8 million. The Board of Directors also notes that the Group generated positive cash flows in 2019 in excess of €2,6 million from operating activities and the Group also has an undrawn overdraft facility of €3.370.151 (Note 26(iv)).

Notwithstanding the above, the impact of the COVID-19 outbreak on the Group’s operations in 2020 has been significant. The Group’s majority shareholder, Prodea Investments Real Estate Company SA, confirmed to the Company and its subsidiaries in writing on 30 June 2020 that it has the intention and the ability to provide the necessary financial support to the Company and its subsidiaries to enable the Group to continue to operate as a going concern and to meet its obligations, if such financial support is requested by the Group. Having considered the above, the Board of Directors concluded that no material uncertainty arises on the ability of the Group to continue as a going concern and the consolidated financial statements have therefore been prepared on a going concern basis.

**APHRODITE HILLS RESORT LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**2. BASIS OF PREPARATION** *(continued)*

**(c) Basis of measurement**

The consolidated financial statements are for the year ended 31 December 2019 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 International Financial Reporting Standards (“IFRS”) and Interpretations as adopted by the European Union (“EU”)**

As from 1 January 2019, the Group adopted all changes to IFRS as adopted by the EU which are relevant to its operations. This adoption did not have a material effect on the financial statements of the Group. The transition impact of the adoption of IFRS 16 “Leases” is explained in Note 2 (f).

The following Standards, Amendments to Standards and Interpretations have been issued by International Accounting Standards Board (“IASB”) but are not yet effective for annual periods beginning on 1 January 2019. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these Standards early. The Board of Directors expects that the adoption of these financial reporting significant effect on the financial statements of the Group.

**(i) Standards and Interpretations adopted by the EU**

- “Amendments to References to the Conceptual Framework in IFRS Standards” (effective for annual periods beginning on or after 1 January 2020).
- IAS 1 “Presentation of Financial Statements” (Amendments) and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (Amendments): Definition of Material (effective for annual periods beginning on or after 1 January 2020).
- IFRS 9 “Financial Instruments” (Amendments), IAS 39 “Financial Instruments: Recognition and Measurement” (Amendments) and IFRS 7 “Financial Instruments: Disclosures” (Amendments): Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2020).

**(ii) Standards and Interpretations not adopted by the EU**

- IFRS 3 “Business Combinations” (Amendments): Definition of a Business (effective for annual periods beginning on or after 1 January 2020).
- IFRS 10 “Consolidated Financial Statements” (Amendments) and IAS 28 “Investments in Associates and Joint Ventures” (Amendments): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).

**(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.

**APHRODITE HILLS RESORT LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**2. BASIS OF PREPARATION** *(continued)*

**(e) Use of estimates and judgments** *(continued)*

The most critical estimate for which judgment is required concerns the fair value of the Group's property, plant and equipment (Note 10) and investment property (Note 11). 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 irrecoverability 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 26(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.

- Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Refer to Note 3 for more details.

**APHRODITE HILLS RESORT LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**2. BASIS OF PREPARATION** *(continued)*

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

The Group initially applied IFRS 16 from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements.

The Group applied IFRS 16 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not been generally applied to comparative information.

*i) Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 "Determining whether an Arrangement contains a Lease". The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 3.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered or changed on or after 1 January 2019.

*ii) Group as a lessee*

As a lessee, the Group leases a number of residential villas and apartments. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for these leases – i.e. these leases are on statement of financial position.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

Previously, the Group classified leases of residential villas and apartments as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group presents the right-of-use assets for the leases of residential villas and apartments separately on the statement of financial position.

*iii) Impact on transition*

On transition to IFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

	1 January 2019
	€
Right-of-use assets	946.793
Lease liabilities	946.793



# APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

### 2. BASIS OF PREPARATION *(continued)*

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

##### (iii) *Impact on transition*

For impact of IFRS 16 on profit or loss for the year see note 23. For the details of accounting policies under IFRS 16 and IAS 17 see note 3.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The rate applied is 4%.

	1 January 2019 €
Operating lease commitments at 31 December 2018 under IAS 17	1.014.151
Discounted using the incremental borrowing rate and recognised as lease liabilities at 1 January 2019	946.743

#### (g) Functional and presentation currency

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

### 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)).

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as listed in note 13. 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 not 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. Subsequent to initial recognition the consolidated financial statements 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.

**APHRODITE HILLS RESORT LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*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 extent that there is no evidence of impairment.

Revenue recognition

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:

*Contracts identification*

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

*The transaction price*

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value added taxes).

To estimate the transaction price in a contract, the Group adjusts the promised amount of consideration for the time value of money if the contract contains a significant financing component. In cases that there are no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year, the Group elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

*Identification of the performance obligation*

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

**APHRODITE HILLS RESORT LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Revenue recognition (continued)**

**Performance obligations and revenue recognition policies**

*Rendering of services - over time*

Revenue from rendering of services is recognised over time while the Group satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered.

For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

*Rendering of services – at a point in time*

In cases that the Group concluded that it transfers control over its services at a point in time, upon receipt by the customer of the service, because this is when the customer benefits from the relevant service.

*Sale of completed properties*

The sale of completed properties is generally expected to be the only performance obligation and the Group has determined that it will be satisfied at the point in time when control is transferred to the customer. For unconditional exchange contracts, this is generally expected to be when the legal title is transferred to the customer. For conditional exchanges, this is expected to be when all significant conditions are satisfied.

*Sale of properties under development*

For contracts relating to the sale of properties under development, the Group is responsible for the overall management of the project and identifies various goods and services to be provided, including design work, procurement of materials, site preparation and foundation pouring, framing and plastering, mechanical and electrical work, installation of fixtures (e.g. windows, doors, cabinetry, etc.) and finishing work. In such contracts, the Group has determined that the goods and services are not distinct and will generally account for them as a single performance obligation. Depending on the terms of each contract, the Group will determine whether control is transferred at a point in time or over time.

In cases, the asset developed has no alternative use for the Group, due to contractual or other restrictions or an enforceable right to payment does not arise until the title has passed to the customer, then revenue is recognised at a point in time, when the legal title is transferred to the customer.

*Sale of products*

Sales of products are recognised at the point in time when the Group satisfies its performance obligation by transferring control over the promised products to the customer, which is usually when the products are delivered to the customer and the customer has accepted the products.

*Commission income*

When the Group acts as an agent in a transaction, its performance obligation is to arrange for the provision of specified goods or services by another party. The Group recognises revenue on a net basis corresponding to any fee or commission to which the Group is entitled. The revenue is recognised when its obligation to arrange for the provision of the specified good or service is fulfilled.

*Rental income*

Rental income is recognised on an accrual's basis in accordance with the substance of the relevant agreements.

**APHRODITE HILLS RESORT LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

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.

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.

Impairment of non-financial assets

The carrying amounts of the Company'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 income statement 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.

**APHRODITE HILLS RESORT LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Investment property

Investment property comprises the village square shops which are 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 revaluation 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. If a revaluation gain reverses a previous impairment recognized in profit or loss, the reversal is recognised in profit or loss to offset the previous impairment. 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 revaluation 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.

**APHRODITE HILLS RESORT LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**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 or 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 reserves. 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 revaluation reserves are transferred to retained earnings.

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*

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.

**APHRODITE HILLS RESORT LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

*Classification and subsequent measurement (continued)*

*Financial assets (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 at 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*

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.

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.

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*Financial instruments *(continued)**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*

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.

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 Group to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.



**APHRODITE HILLS RESORT LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial instruments (continued)

*Impairment of financial assets (continued)*

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group 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.

Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continue to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

*Policy applicable from 1 January 2019*

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

The policy is applied to contracts entered into, on or after 1 January 2019.

*i) As a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset of the Group by the end of the lease term or the cost of the right-to-use asset reflects that the Group will exercise a purchase option. In that case the right-to-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-to-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

**APHRODITE HILLS RESORT LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Leases *(continued)*

*Policy applicable from 1 January 2019 (continued)*

*i) As a lessee (continued)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group discounts lease payments using its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property separately with the lease liabilities in the statement of financial position.

*Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*ii) As a lessor*

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, it is an operating lease. As part of this assessment, the

**APHRODITE HILLS RESORT LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Leases *(continued)*

*Policy applicable from 1 January 2019 (continued)*

*ii) As a lessor (continued)*

The Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

*Policy applicable before 1 January 2019*

Leases which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases 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.

Comparatives

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

**4. REVENUE**

	2019 €	2018 €
Real estate development	9,656,237	22,105,908
Hotel operations	17,131,463	16,822,248
Property management	6,984,275	6,719,454
Other operations	<u>4,299,119</u>	<u>5,264,052</u>
	<u>38,071,094</u>	<u>50,911,662</u>

**5. OTHER OPERATING INCOME**

	2019 €	2018 €
Rental income	563,748	436,023
Release of provision for transfer fees	-	387,265
Sundry operating income	317,406	235,604
Profit on disposal of plant and equipment (Note 10)	<u>-</u>	<u>1,500</u>
	<u>881,154</u>	<u>1,060,392</u>

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 6. OPERATING PROFIT

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

	2019 €	2018 €
Depreciation of property, plant and equipment (Note 10)	2.342.120	2.334.993
Independent auditors' remuneration – current year	65.975	79.000
Independent auditors' remuneration – prior year under provision	-	7.725
Provision for bad and doubtful debts (Note 26 (ii))	11.304	56.769
Reversal of provision for bad debts (Note 26 (ii))	(111.981)	(12.026)
Staff costs (Note 7)	<u>10.871.196</u>	<u>9.805.846</u>

## 7. STAFF COSTS

	2019 €	2018 €
Wages and salaries	9.402.197	8.235.035
Bonuses and termination benefits	198.821	486.754
Social insurance, provident fund and other contributions	<u>1.270.178</u>	<u>1.084.057</u>
	<u>10.871.196</u>	<u>9.805.846</u>

The average number of staff employed by the Group during the year ended 31 December 2019 and 2018 were 517 and 506 respectively.

## 8. NET FINANCE EXPENSES

	2019 €	2018 €
<b>Finance income</b>		
Bank interest income	2.753	18.538
Interest on loan to associate (Note 25)	1.031	3.218
Interest on trade balances	-	1.037
Other financing income	-	43
Net foreign exchange gain	<u>-</u>	<u>2.896</u>
	<u>3.784</u>	<u>25.732</u>
<b>Finance expenses</b>		
Interest on bank borrowings	(1.092.117)	(1.120.109)
Interest on loans from related parties (Note 25)	(2.760.704)	(3.243.769)
Interest expense on lease liability (Note 23)	(51.984)	-
Net foreign exchange loss	(649)	-
Bank charges and other finance costs	<u>(122.693)</u>	<u>(190.579)</u>
	<u>(4.028.147)</u>	<u>(4.554.457)</u>
<b>Net finance expenses</b>	<u>(4.024.363)</u>	<u>(4.528.725)</u>

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 9. TAXATION

	2019	2018
	€	€
Special defence contribution	6.168	11.442
Deferred tax charge (Note 21)	206.417	207.396
Corporation tax	-	557.268
Charge for the year	<u>212.585</u>	<u>776.106</u>

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

	2019	2018
	€	€
Accounting profit before tax	<u>481.566</u>	<u>7.033.044</u>
Tax calculated at the applicable corporation tax rate	60.196	879.131
Tax effect of expenses not deductible for tax purposes	1.091.342	540.724
Tax effect of allowances and income not subject to tax	(1.324.947)	(863.238)
Tax effect of tax losses brought forward and group relief	740	(14.700)
Special defence contribution	6.168	11.442
Change in recognised deductible temporary differences (Note 21)	367.864	242.396
Deferred tax impact of tax losses recognised (Note 21)	(161.431)	(35.000)
Tax effect of tax loss for the year	161.431	-
Utilisation of tax losses	11.222	-
10% additional charge	-	15.351
Charge for the year	<u>212.585</u>	<u>776.106</u>

The Company and its subsidiaries are subject to corporation tax on taxable profits at the rate of 12,5% (2018: 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.

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings €	Furniture, fixtures, office equipment and motor vehicles €	Plant and machinery €	Total €
<b>2019</b>				
<b>Cost or fair value</b>				
Balance at 1 January 2019	67,915,624	18,157,783	3,182,271	89,255,678
Additions	1,161,817	843,852	121,365	2,127,034
Reversal of impairment	4,650,000	-	-	4,650,000
Revaluation loss	<u>(4,605,372)</u>	<u>-</u>	<u>-</u>	<u>(4,605,372)</u>
Balance at 31 December 2019	<u>69,122,069</u>	<u>19,001,635</u>	<u>3,303,636</u>	<u>91,427,340</u>
<b>Accumulated depreciation</b>				
At 1 January 2019	5,326,446	14,552,178	1,995,894	21,874,518
Depreciation for the year	<u>1,153,253</u>	<u>1,011,292</u>	<u>177,575</u>	<u>2,342,120</u>
Balance at 31 December 2019	<u>6,479,699</u>	<u>15,563,470</u>	<u>2,173,469</u>	<u>24,216,638</u>
<b>Net book value</b>				
Balance at 31 December 2019	<u>62,642,370</u>	<u>3,438,165</u>	<u>1,130,167</u>	<u>67,210,702</u>
<b>2018</b>				
<b>Cost or fair value</b>				
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 11)	(2,204,608)	-	-	(2,204,608)
Disposals	<u>-</u>	<u>(54,000)</u>	<u>-</u>	<u>(54,000)</u>
Balance at 31 December 2018	<u>67,915,624</u>	<u>18,157,783</u>	<u>3,182,271</u>	<u>89,255,678</u>
<b>Accumulated depreciation</b>				
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	<u>-</u>	<u>(54,000)</u>	<u>-</u>	<u>(54,000)</u>
Balance at 31 December 2018	<u>5,326,446</u>	<u>14,552,178</u>	<u>1,995,894</u>	<u>21,874,518</u>
<b>Net book value</b>				
Balance at 31 December 2018	<u>62,589,178</u>	<u>3,605,605</u>	<u>1,186,377</u>	<u>67,381,160</u>

The Company's property (land and buildings) is mortgaged as security for loans advanced to it (Note 20).

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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

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

	2019 €	2018 €
Net book value	-	-
Profit on the disposal of property, plant and equipment	-	1.500
Proceeds from the disposal of property, plant and equipment (excluding VAT)	-	1.500

During 2019, the Company became entitled to an additional building coefficient for the land on which the hotel is situated. The value of this additional building coefficient was estimated at €4.650.000 and was recorded as a gain in profit or loss as it reverses a previous impairment recognised for the particular land in prior years. Additionally, following an internal valuation exercise performed management, which took into account the results of external valuations performed by an independent valuer, a revaluation loss of €4.605.372 was recorded against the golf academy and land and the Holiday Residence building. The net profit generated from the reversal of impairment and revaluation loss amounted to €44.628.

Freehold land and buildings are accounted for under the revaluation method of IAS 16, however as at 31 December 2019, the carrying values do not vary materially from the historical cost basis of accounting.

Accumulated impairments against the historic cost of land and buildings amounted to €34.216.638 (2018: €34.261.066). The key valuation assumptions are disclosed in Note 27.

**11. INVESTMENT PROPERTY**

	2019 €	2018 €
Balance 1 January	2.204.608	-
Transfer from property, plant and equipment (Note 10)	-	2.204.608
Additions	100.716	-
Balance 31 December 2019	2.305.324	2.204.608

Investment property comprises a number of commercial properties that are leased to third parties for a duration of 1 year with automatic renewal option.

The key valuation assumptions are disclosed in Note 27. There are mortgages on the Group's investment property as security for loans advanced to it (Note 20).

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 12. INTEREST IN ASSOCIATE

	2019 €	2018 €
Balance 1 January	341.919	326.572
Share of profit from associate, net of tax	159.447	136.436
Dividend received	<u>(79.999)</u>	<u>(121.089)</u>
Balance at 31 December	<u>421.367</u>	<u>341.919</u>

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

<i>Name</i>	<i>Country of incorporation and place of business</i>	<i>Activities</i>	<i>2019 Shareholding</i>	<i>2018 Shareholding</i>
			%	%
Aphrodite Hills Pantopoleion Limited	Cyprus	Operation of supermarket at Aphrodite Hills	45	45

## 13. INVESTMENTS IN SUBSIDIARIES

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

<i>Name</i>	<i>Country of Incorporation and place of business</i>	<i>Activities</i>	<i>2019 Shareholding</i>	<i>2018 Shareholding</i>
			%	%
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

## 14. TAX LIABILITY

	2019 €	2018 €
Corporation tax payable	95.114	376.226
Special contribution to the defence fund	<u>-</u>	<u>637</u>
	<u>95.114</u>	<u>376.863</u>



## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

**15. INVENTORIES**

	2019 €	2018 €
Stock of completed property	2.895.063	2.727.169
Work in progress (property under construction)	7.951.848	7.525.626
Goods for sale and consumables	<u>664.807</u>	<u>465.970</u>
	<u>11.511.718</u>	<u>10.718.765</u>

The Company's property is mortgaged as security for loans advanced to it (Note 20). The fair value of unsold inventories as at 31 December 2019 amounts to €25,4 million (2018: €23,2 million).

**16. TRADE AND OTHER RECEIVABLES**

	2019 €	2018 €
Trade receivables	2.846.034	4.146.074
Less: provision for bad and doubtful debts (Note 26 (ii))	<u>(501.862)</u>	<u>(613.843)</u>
Trade receivables – net	<u>2.344.172</u>	<u>3.532.231</u>
Receivable from related parties (Note 25)	4.945.189	4.372.514
Less: provision for bad and doubtful debts (Note 26 (ii))	<u>(48.504)</u>	<u>(37.200)</u>
Receivable from related parties - net	<u>4.896.685</u>	<u>4.335.314</u>
Other receivables and prepayments	759.364	1.561.879
Advances to subcontractors	87.087	188.397
Deferred expenses	26.947	-
Accrued income	<u>47.146</u>	<u>-</u>
	<u>8.161.401</u>	<u>9.617.821</u>

Trade and other receivables are analysed as follows:

	2019 €	2018 €
Non-current (due from related party - Note 25)	4.850.078	4.293.218
Current	<u>3.311.323</u>	<u>5.324.603</u>
	<u>8.161.401</u>	<u>9.617.821</u>

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 26 to the consolidated financial statements.

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 17. OTHER ASSETS

	2019 €	2018 €
Fixed deposit	<u>112.183</u>	<u>111.153</u>

## 18. CASH AND CASH EQUIVALENTS

	2019 €	2018 €
Cash at bank	3.978.758	4.889.479
Cash in transit	-	13.134
Cash in hand	<u>51.093</u>	<u>41.706</u>
	<u>4.029.851</u>	<u>4.944.319</u>

Bank accounts are pledged under the loan agreement with the bank (Note 20).

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

	2019 €	2018 €
Cash and cash equivalents	4.029.851	4.944.319
Bank overdrafts (Note 20)	<u>(1.629.849)</u>	<u>-</u>
	<u>2.400.002</u>	<u>4.944.319</u>

Of cash held at bank, an amount of €73.509 (2018: €166.428) 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).

## 19. SHARE CAPITAL

	2019 Number of shares	2019 €	2018 Number of shares	2018 €
<b>Authorised</b>				
Shares of €0.17 each	<u>70.000.000</u>	<u>11.900.000</u>	<u>70.000.000</u>	<u>11.900.000</u>
<b>Issued and fully paid</b>				
Ordinary shares of €0.17 each	<u>69.960.584</u>	<u>11.893.299</u>	<u>69.960.584</u>	<u>11.893.299</u>

**APHRODITE HILLS RESORT LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**20. LOANS AND BORROWINGS**

	2019 €	2018 €
Bank overdrafts	1.629.849	-
Loans from shareholders (controlling/non-controlling) (Note 25)	30.533.089	-
Junior loan from indirect shareholder	-	27.772.385
Bank borrowings	40.058.439	41.606.643
Other bank financing arrangements	<u>77.813</u>	<u>118.383</u>
<b>Balance as at 31 December</b>	<u>72.299.190</u>	<u>69.497.411</u>
 Amount payable within one year (current portion)	 13.326.312	 1.968.574
Amount payable after more than one year (non-current portion)	<u>58.972.878</u>	<u>67.528.837</u>
<b>Balance as at 31 December</b>	<u>72.299.190</u>	<u>69.497.411</u>
 The repayment of non-current portion is scheduled as follows:		
In more than one year, less than two years	2.339.631	9.057.732
In more than two years, less than five years	2.100.166	3.014.847
In more than five years	<u>54.533.081</u>	<u>55.456.258</u>
	<u>58.972.878</u>	<u>67.528.837</u>

Information about the Group's exposure to interest rate and liquidity risk is included in note 26.

During the year, following the acquisition of the Group by new investors, the loan facility between the Company and Bank of Cyprus was amended to reflect the change of shareholders and to release the previous shareholder from its obligations under the loan agreement. Furthermore, based on the amended bank loan facility the bank provided consent for the repayment of the junior loan between the Company and the previous indirect shareholder and consent for the Company to enter into 3 new loan agreements with the new shareholders.

The bank loan facility continues to bear quarterly interest at the rate of Euribor plus a margin and/or the weighted average margin as notified by the bank. 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 in 2030;
- 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 25 September 2020. Based on the amended agreement, the Company had the option 90 days before the expiration of the revised maturity date on 25 September 2020, to:
  - o transfer an amount of €4 million to Tranche B and hence link its repayment to real estate property sales;
  - o Extend the maturity of the remaining €4 million for a further 5 years i.e. to 25 September 2025. Refer to note 29 in this regard.

As at 31 December 2019, the balance of Tranche A amounted to €28.099.539 (including accrued interest) and the balance of Tranches B and C amounted to €11.958.900 (including accrued interest).

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

**20. LOANS AND BORROWINGS** *(continued)*

Based on the terms of the bank loan facility the Company is restricted from paying any dividends to its shareholders.

The bank loan and bank overdraft are secured as follows:

- Pledge over the shares of the Company, its subsidiaries, and of a related company;
- 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 party;
- Pledge over Group bank accounts;

The 3 loan agreements with the new shareholders of the Company have the following terms:

- Total loan facilities amount to €28,5 million;
- Fixed interest rate of 9,25% per annum. Any unpaid interest is capitalised every 6 months and itself bears interest at the same rate as principal;
- Repayments against the shareholders 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 and pro rata with 60% of excess cash flow going against serving Tranche C and remaining 40% against serving the loans with the shareholders. Management expects that the principal amounts of these loans will not be repaid before 2030.

Average effective interest rate for the year was as follows:

	2019 %	2018 %
Bank overdrafts	2,67%	-
Bank loans	3,05%	2.97%
Related party loan	6,77%	11.68%
<b>Overall effective rate</b>	<b>5,46%</b>	<b>6,29%</b>

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2019 €	2018 €
Balance at 1 January	69.497.411	74.309.005
New loans granted	28.467.158	-
Principal and interest repayments	(31.148.048)	(9.175.472)
Interest expense	<u>3.852.820</u>	<u>4.363.878</u>
Balance at 31 December	<u>70.699.341</u>	<u>69.497.411</u>

**APHRODITE HILLS RESORT LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**21. DEFERRED TAX ASSETS AND TAX LIABILITIES**

The movement on the deferred tax account is as follows:

	Difference between depreciation and capital allowances €	On tax losses carried forward €	Total €
<b>At 1 January 2018</b>	3.828.246	-	3.828.246
Charged to profit or loss (Note 9)	<u>242.396</u>	<u>(35.000)</u>	<u>207.396</u>
<b>At 31 December 2018 - liability/(asset)</b>	<u>4.070.642</u>	<u>(35.000)</u>	<u>4.035.642</u>
<b>At 1 January 2019</b>	4.070.642	(35.000)	4.035.642
Charged to profit or loss (Note 9)	<u>367.848</u>	<u>(161.431)</u>	<u>206.417</u>
<b>At 31 December 2019 – liability/(asset)</b>	<u>4.438.490</u>	<u>(196.431)</u>	<u>4.242.059</u>

The deferred tax asset arises from tax losses of the Group, amounting to circa €1.8 million. Of this amount, €1.6 million expire by 31 December 2024 and the remaining €0.2 million expire by 31 December 2020.

**22. TRADE AND OTHER PAYABLES AND PROVISIONS**

	2019 €	2018 €
<i>Trade and other payables</i>		
Trade payables	4.431.258	4.139.237
Social insurance and other taxes	133.220	95.824
Payable to related parties (Note 25)	7.045	514
Other payables and accrued expenses	6.048.866	4.709.733
VAT payable	237.392	90.312
Financial liability due to bank	2.132.559	2.132.559
Contract liabilities	<u>3.943.740</u>	<u>10.435.312</u>
	<u>16.934.080</u>	<u>21.603.491</u>
<i>Provisions</i>		
Provision for bonuses	<u>131.380</u>	<u>218.340</u>
<b>Total trade and other payables and provisions</b>	<u>17.065.460</u>	<u>21.821.831</u>

Trade and other payables and provisions are analysed as follows:

	2019 €	2018 €
Non-current	2.132.559	2.132.559
Current	<u>14.932.901</u>	<u>19.689.272</u>
	<u>17.065.460</u>	<u>21.821.831</u>

Information about the Group's exposure to liquidity risks is included in Note 26.

**APHRODITE HILLS RESORT LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**23. LEASES**

*Group as a lessee*

The Group leases a number of residential properties that are used as part of its accommodation services provided to guests. The Group has entered into various agreements with third parties for the right-of-use of these assets for a predetermined period. The agreements are for a specific period of time and there is no automatic renewal without negotiation between the two parties over the lease amount and period.

*i) Right-of-use assets*

	2019 €
<b>Balance 1 January</b>	946.793
Additions	352.781
Depreciation	<u>(471.634)</u>
<b>Balance at 31 December</b>	<u><u>827.940</u></u>

*ii) Amounts recognised in profit or loss*

	2019 €
<b>2019 – Leases under IFRS 16</b>	
Interest expense	51.984
Expenses relating to short-term leases	144.845
<b>2018 – Operating leases under IAS 17</b>	
Lease expense	286.830

*iii) Amounts recognised in statement of cash flows*

	2019 €
Total cash outflow for leases	<u><u>329.874</u></u>

*iv) Lease liabilities*

	2019 €
Non-current portion	305.435
Current portion	<u>716.249</u>
	<u><u>1.021.684</u></u>

Lease liabilities are payable as follows:

	Future minimum lease payments €	Interest €	Present value of minimum lease payments €
Less than one year	749.092	32.843	716.249
Between one and five years	318.068	12.633	305.435
More than five years	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>1.067.160</u></u>	<u><u>45.476</u></u>	<u><u>1.021.684</u></u>

**APHRODITE HILLS RESORT LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**23. LEASES (continued)**

v) *Reconciliation of movement of lease liabilities to cash flows arising from financing activities*

	2019 €
Balance at 1 January 2019	946.793
Additions	352.781
Payments of lease liabilities	(329.874)
Interest expense	<u>51.984</u>
Balance at 31 December 2019	<u>1.021.684</u>

*Group as a lessor*

The Group leases a number of commercial properties to third parties for which the lease commitment of €144.845 is only for one year as the renewal of each agreement is subject to negotiations.

**24. CONTINGENT LIABILITIES**

- 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 (2018: €0,1 million) as security for the remaining cost to completion of their properties. However, these guarantees are represented by cash held as fixed deposits in bank accounts (Note 18) thus limiting any exposure the Company may face.

**25. 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. The Group is ultimately controlled by Prodea Real Estate Investment SA which owns 60% of the Company's shares.

The transactions and balances with related parties are as follows:

**Transactions**

**(a) Income**

	2019 €	2018 €
Interest on loan to associate (Note 8)	<u>1.031</u>	<u>3.218</u>
Sale of Real Estate Property to key management personnel	<u>919.956</u>	<u>-</u>

**APHRODITE HILLS RESORT LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2019**

**25. RELATED PARTIES** (*continued*)

**(b) Interest expense**

	2019 €	2018 €
Controlling shareholder (Note 8)	1.239.559	-
Non-controlling shareholders (Note 8)	826.373	-
Indirect shareholder (Note 8)	<u>694.772</u>	<u>3.243.769</u>
	<u>2.760.704</u>	<u>3.243.769</u>

**(c) Director and Management fees**

	2019 €	2018 €
Company under common control	<u>350.000</u>	<u>350.000</u>

**(d) Balances**

	2019 €	2018 €
<i>Receivable from related parties (Note 16)</i>		
Loan receivable from associate	16.940	39.186
Entity under common control/influence (net of provision for bad debts)	<u>4.879.745</u>	<u>4.296.128</u>
	<u>4.896.685</u>	<u>4.335.314</u>
<i>Payable to related parties</i>		
Loan from indirect shareholder (including accrued interest) (Note 20)	-	27.772.385
Loan from controlling shareholder (including accrued interest) (Note 20)	18.319.854	-
Loans from non-controlling shareholders (including accrued interest) (Note 20)	12.213.235	-
Payable to associate (Note 22)	<u>7.045</u>	<u>514</u>
	<u>30.540.134</u>	<u>27.772.899</u>

Refer to Note 20 for the terms associated with the loans from controlling and non-controlling shareholders. The loan receivable from the associate undertaking is unsecured, bears interest at the rate of 7,75% per annum (2018: 7,75% per annum) and is repayable by 31 December 2020 through 60 equal monthly installments. All other balances are also unsecured, bear no interest and are payable on demand. However, the Group issued a letter to the related entity under common control stating that it does not intend to demand payment of the balances due before February 2021. These balances are therefore presented as non-current given the anticipated repayment date.

**(d) Remuneration of key management personnel**

Key management personnel compensation comprised of the following:

	2019 €	2018 €
Directors' remuneration	<u>468.420</u>	<u>642.058</u>



## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. FINANCIAL RISK MANAGEMENT

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

- Interest rate risk
- Credit risk
- Tourist 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.

*Exposure to interest rate risk*

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

	2019 €	2018 €
<i>Fixed rate instruments</i>		
Financial assets	16.940	39.186
Financial liabilities	<u>(30.533.089)</u>	<u>(27.772.385)</u>
	<u>(30.516.149)</u>	<u>(27.733.199)</u>
<i>Variable rate instruments</i>		
Financial liabilities	<u>(41.766.101)</u>	<u>(41.725.026)</u>

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 in interest rates at the reporting date would have the following effect (a decrease of 100 basis points would have the opposite effect in the same amount):

	Profit or loss	
	2019 €	2018 €
<i>Variable rate instruments</i>		
Financial liabilities	<u>(417.661)</u>	<u>(417.250)</u>

The Group does not account for any fixed-rate financial assets or financial liabilities at FVTPL, therefore a change in interest rates at the reporting date would not affect the profit or loss

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

26. FINANCIAL RISK MANAGEMENT *(continued)*(ii) Credit risk *(continued)*

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.

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.

*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:

	2019	2018
	€	€
Trade and other receivables (excluding advances and prepayments)	2,344,172	3,532,231
Other receivables	32,472	10,296
Accrued income	47,146	-
Other assets	112,183	111,153
Cash at bank	3,978,758	4,889,479
Receivables from related parties	<u>4,896,685</u>	<u>4,335,314</u>
	<u>11,411,418</u>	<u>12,878,473</u>

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 B3 (2018: Caal). 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 2019 (2018: nil).

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. FINANCIAL RISK MANAGEMENT (continued)

## (ii) Credit risk (continued)

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

<i>Third party receivables</i>	2019 €	2018 €
Balance at 1 January under IFRS 9	613.843	552.749
Adjustment on initial recognition of IFRS 9	-	53.551
	<u>613.843</u>	<u>606.300</u>
Allowance for impairment	-	19.569
Reversal of allowance	<u>(111.981)</u>	<u>(12.026)</u>
Balance at 31 December	<u><u>501.862</u></u>	<u><u>613.843</u></u>
 <i>Related party receivables</i>	 2019 €	 2018 €
Allowance for impairment	11.304	37.200
Balance at 1 January	<u>37.200</u>	-
Balance at 31 December	<u><u>48.504</u></u>	<u><u>37.200</u></u>

The table below presents the countries, the credit rating and probability of default used for the calculation of the provision of bad debts for the year 2019:

Country	Credit rating	Probability of default	Amount
Cyprus	Ba2	0,71%	1.868.906
United Kingdom	Aa2	0,00%	462.262
Russia	Baa3	0,22%	198.822
Germany	Aaa	0,00%	58.213
China	A1	0,07%	41.410
Other	Aa1 - Caa3	0,00%-30.67%	<u>216.420</u>
			<u><u>2.846.034</u></u>

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. FINANCIAL RISK MANAGEMENT (continued)

## (iii) Tourist 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 2018, 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:

	Carrying Amounts €	Contractual cash flows €	Between 1-12 months €	Between 1-2 years €	Between 2-5 years €	More than 5 years €
<i>31 December 2019</i>						
Bank loans	40,058,439	45,594,079	12,482,957	2,906,815	4,683,754	25,520,553
Bank overdraft	1,629,849	1,629,849	1,629,849			
Other bank financing arrangements	77,813	83,957	51,939	32,018	-	-
Shareholders loans	30,533,089	122,279,187	-	6,151,443	16,258,111	99,869,633
Trade payables	4,431,258	4,431,258	4,431,258	-	-	-
Other payables	8,873,593	8,873,593	8,873,593	-	-	-
Lease liability	1,021,084	1,067,160	749,092	307,305	10,763	-
Payables to related parties	7,045	7,045	7,045			
Tax liability	95,114	95,114	95,114	-	-	-
	<u>86,404,488</u>	<u>183,737,844</u>	<u>27,997,450</u>	<u>9,397,581</u>	<u>20,952,627</u>	<u>125,390,186</u>

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 26. FINANCIAL RISK MANAGEMENT (continued)

## (iv) Liquidity risk (continued)

	Carrying Amounts €	Contractual cash flows €	Between 1-12 months €	Between 1-2 years €	Between 2-5 years €	More than 5 years €
<i>31 December 2018</i>						
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 indirect shareholder	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	6.932.604	6.932.604	6.932.604	-	-	-
Payables to related parties	514	514	514	-	-	-
Tax liability	<u>376.863</u>	<u>376.863</u>	<u>376.863</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>81.042.453</u>	<u>118.925.188</u>	<u>17.098.713</u>	<u>13.273.613</u>	<u>14.891.191</u>	<u>73.661.671</u>

As at 31 December 2019 the Company has available €3,3 million to be drawn from overdraft facilities with the bank.

## 27. 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 as well as internal valuations performed by management taking into account external valuations. The valuation exercise was performed in August 2019 and fair value adjustments were recorded during the year (refer to note 10). 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:

## APHRODITE HILLS RESORT LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 27. FAIR VALUE MEASUREMENT OF LAND AND BUILDINGS (continued)

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<p><i>Multiples approach</i> The land and buildings of the Hotel, Spa, Golf, Tennis and Restaurant operations with carrying value of €62,6 million on the basis of a multiples approach, whereby multiple was applied to EBITDA (earnings before interest, tax, depreciation and amortization).</p> <p><i>DCF approach</i> The value of land and buildings of shops let to 3rd parties on a long-term basis and the Holiday Residences building with a carrying amount of €3,4 million on the basis of DCF methodology.</p> <p><i>Comparable approach</i> Other property used by the Group, including its head offices and building coefficient with a carrying amount of €6,5 million were valued on the basis of a comparable approach using the value per square meter of similar properties.</p>	<p><i>Multiples approach</i></p> <ul style="list-style-type: none"> <li>The aggregated average EBITDA of €4,7 million generated by the relevant operation occupying that property for the 4 most recent financial years (2016 - 2019) excluding any exceptional years where applicable, was applied to the multiple of 13.</li> </ul> <p><i>DCF approach</i></p> <ul style="list-style-type: none"> <li>The rental income generated during 2019 of €0,3 million was extrapolated to perpetuity and discounted at a risk adjusted rate of 6,5%.</li> </ul> <p><i>Comparable approach</i></p> <ul style="list-style-type: none"> <li>The value per square meter applied ranged from €750 to €3.000 depending on the particulars of each property.</li> </ul>	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> <li>Actual EBITDA is higher (lower);</li> <li>The multiple applied was higher (lower);</li> <li>Future earnings of the tenant shops are higher (lower);</li> <li>The discount rate applied was lower (higher);</li> <li>The price per square meter of the other property is higher (lower).</li> </ul>

## 28. 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 2019, the remaining value of these contracts to which the Company is committed to make payments amounts to €6,51 million (2018: €8,52 million). These commitments are expected to be settled upon completion of the respective projects.

## 29. SUBSEQUENT EVENTS

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Most governments around the world took increasingly stringent steps to stem the spread of the virus, including requiring self-isolation/ quarantine, social distancing and controlling or closing borders and “locking-down” cities/regions and entire countries. These measures are gradually being lifted in many jurisdictions including Cyprus but the uncertainties over the broader economies remain as the pandemic still evolves.

**APHRODITE HILLS RESORT LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the year ended 31 December 2019**

**29. SUBSEQUENT EVENTS** *(continued)*

As a result of the pandemic, and following a government directive, the hotel, restaurants, spa, tennis and golf operations of the Group were closed in March 2020 and reopened in July 2020. Based on publicly available information at the date these financial statements were authorized for issue, management considered a number of severe but plausible scenarios with respect to the impact of the outbreak on the Group, including measures already taken by the Cyprus government and governments of the countries where the Company's major customers are located.

In response to these possible scenarios, management has initiated actions to mitigate the negative impact to its cash flows, which notably include:

- Successfully applying to the bank for deferral of loan principle and interest payments (amounting to circa €1 million plus interest) until December 2020, in accordance with legislation recently enacted in Cyprus;
- Entering a State aid program whereby a percentage of the Group's employees are paid by the government;

The situation is unprecedented, and the responses of the Cyprus and other governments are evolving constantly. Management is closely monitoring the situation and is ready to act depending on the developments. As explained in Note 2(b), management has assessed the going concern assumption adopted in the preparation of these financial statements to be appropriate.

Additionally, on 22<sup>nd</sup> of September 2020, the Company has exercised its option to extend Tranche C to its final maturity date to September 2025.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.