

APHRODITE SPRINGS PUBLIC LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020

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APHRODITE SPRINGS PUBLIC LIMITED
OFFICERS AND PROFESSIONAL ADVISORS

Board of Directors	George Misirlis, Cypriot Elias Neocleous, Cypriot Demetris Rotis, Cypriot Aristotelis Karytinis, Greek
Company Secretary	P & D Secretarial Services Limited
Independent Auditors	KPMG Limited
Banker	Bank of Cyprus Public Company Ltd
Registered Office	Office 303, 3 rd Floor, Agathaggelos Court 10 Georgiou Gennadiou Street 3041 Limassol Cyprus
Registration Number	HE174743

APHRODITE SPRINGS PUBLIC LIMITED**MANAGEMENT REPORT**

The Board of Directors of **Aphrodite Springs Public Limited** (the "Company") presents to the members its Annual Report together with the audited financial statements of the Company for the year ended 31 December 2020.

PRINCIPAL ACTIVITY

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

FINANCIAL RESULTS AND POSITION

The Company's financial results for the year ended 31 December 2020 and its financial position as at that date are set out in the statement of profit or loss and other comprehensive income and the statement of financial position on pages 8 and 9 respectively. The loss for the year amounted to €143.198 (2019: loss of €88.834).

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

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

The Company's shares were successfully listed in the Cyprus Stock Exchange (Emerging Companies Market) on 23 July 2020.

DIVIDENDS

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

MAIN RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 12 to the financial statements.

SHARE CAPITAL

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

APHRODITE SPRINGS PUBLIC LIMITED**MANAGEMENT REPORT** *(continued)***BRANCHES**

During the year ended 31 December 2020 the Company did not operate any branches.

BOARD OF DIRECTORS

The members of the Company's Board of Directors as at 31 December 2020 and at the date of this report are presented on page 1.

In accordance with the Company's Articles of Association, all directors presently members of the Board continue in office until their resignation or removal.

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

SUBSEQUENT EVENTS

The material events that occurred after the reporting date and which affect the financial statements as at 31 December 2020 are described in note 15 to the financial statements.

INDEPENDENT AUDITORS

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

By order of the Board of Directors,



George Misirlis
Director

Limassol, 28 April 2021



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

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Aphrodite Springs Public Limited (the "Company"), which are presented on pages 8 to 25 and comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap.113").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Code of Ethics (including International Independence Standards) for Professional Accountants 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 financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITORS' REPORT

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Going Concern basis of preparation	
Refer to note 2 (c) of the financial statements	
Key audit matter	How the matter was addressed in our audit
<p>As part of the financial statements preparation process the Board of Directors must assess the ability of the Company to continue as a going concern and appropriately disclose the results of its assessment in the financial statements.</p> <p>The Company incurred a loss for the year ended 31 December 2020 of €143.198 and, as of that date, the Company's current liabilities exceed its current assets by €5.637.723 and the shareholders' deficit amounts to €373.955.</p> <p>The Board of Directors ultimately relies on the continued support of the controlling shareholder to continue as a going concern and to meet its obligations as they fall due.</p>	<p>The audit procedures included, among others:</p> <ul style="list-style-type: none"> • Reviewing the reasonableness of management's estimated cash flow requirements for the Company for the 12 month period to April 2022; • Critically assessing the reasonableness of relying on controlling shareholder support, including consideration of: <ul style="list-style-type: none"> ◦ The written intent of the controlling shareholder to provide such support and commercial reasons for doing so; ◦ Actions taken by the controlling shareholder, after the reporting date including financial injections made post year end (note 16); ◦ The ability of the controlling shareholder to provide such support, should it be required.

Other information

The Board of Directors is responsible for the other information. The other information comprises the Management Report but does not include the financial statements and our auditor's report thereon.

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

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

With regards to the management report, our report in this regard is presented in the "Report on other legal requirements" section.

INDEPENDENT AUDITORS' REPORT**TO THE MEMBERS OF APHRODITE SPRINGS PUBLIC LIMITED** *(continued)****Responsibilities of the Board of Directors and those charged with governance for the financial statements***

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors and those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

INDEPENDENT AUDITORS' REPORT

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

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

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Report on other legal requirements

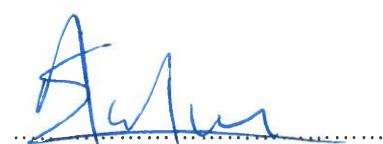
Pursuant to the additional requirements of the Auditors Law of 2017, L.53(I)/2017, as amended from time to time ("Law L.53(I)/2017"), and based on the work undertaken in the course of our audit, we report the following:

- 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 financial statements.
- In the light of the knowledge and understanding of the business and the Company's environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of Law L.53(I)/2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditors' report is Alexandros S. Sofocleous.



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

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

28 April 2021

APHRODITE SPRINGS PUBLIC LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEFor the year ended 31 December 2020

	Note	2020 €	2019 €
Administrative expenses		<u>(143.156)</u>	<u>(88.828)</u>
Operating loss before financing expenses		(143.156)	(88.828)
Net financing expenses	4	<u>(42)</u>	<u>(6)</u>
Loss before tax		(143.198)	(88.834)
Taxation	5	<u>-</u>	<u>-</u>
Loss for the year		(143.198)	(88.834)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u><u>(143.198)</u></u>	<u><u>(88.834)</u></u>
Loss per share attributable to equity holders of the Company during the year			
- Basic and diluted (cents)	10	<u><u>(7,15)</u></u>	<u><u>(4,44)</u></u>

The notes on pages 12 to 23 are an integral part of these financial statements.

APHRODITE SPRINGS PUBLIC LIMITED


STATEMENT OF FINANCIAL POSITIONAs at 31 December 2020

	Note	2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	6	4.988.989	4.486.989
Other receivables and prepayments	7	191.495	160.442
Restricted bank balances	8	<u>83.284</u>	<u>83.284</u>
Total non-current assets		<u>5.263.768</u>	<u>4.730.715</u>
Total assets		<u>5.263.768</u>	<u>4.730.715</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	9	34.200	34.200
Share premium		2.385.201	2.385.201
Accumulated losses		<u>(2.793.356)</u>	<u>(2.650.158)</u>
Total equity		<u>(373.955)</u>	<u>(230.757)</u>
Liabilities			
Current liabilities			
Payables to related companies	11(i)	5.115.652	4.948.583
Other payables and accruals	10	<u>522.071</u>	<u>12.889</u>
Total current liabilities		<u>5.637.723</u>	<u>4.961.472</u>
Total liabilities		<u>5.637.723</u>	<u>4.961.472</u>
Total equity and liabilities		<u>5.263.768</u>	<u>4.730.715</u>

The financial statements were approved by the Board of Directors on 28 April 2021.



George Misirlis
Director



Demetris Rotis
Director

The notes on pages 12 to 23 are an integral part of these financial statements.

APHRODITE SPRINGS PUBLIC LIMITED

STATEMENT OF CHANGES IN EQUITYFor the year ended 31 December 2020

	Note	Share capital €	Share premium €	Accumulated losses €	Total €
Balance at 1 January 2019		34.200	2.385.201	(3.043.724)	(624.323)
<i>Total comprehensive loss for the year</i>					
Loss for the year		-	-	(88.834)	(88.834)
Other comprehensive income for the year		-	-	-	-
<i>Transactions with owners of the Company</i>					
Waiver of shareholder's liability	11(ii)	-	-	482.400	482.400
Balance at 31 December 2019		<u>34.200</u>	<u>2.385.201</u>	<u>(2.650.158)</u>	<u>(230.757)</u>
Balance at 1 January 2020		34.200	2.385.201	(2.650.158)	(230.757)
<i>Total comprehensive loss for the year</i>					
Loss for the year		-	-	(143.198)	(143.198)
Other comprehensive income for the year		-	-	-	-
Balance at 31 December 2020		<u>34.200</u>	<u>2.385.201</u>	<u>(2.793.356)</u>	<u>(373.955)</u>

Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, during the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence at 17% and G.E.S.Y. at 1,7% from 01.03.2019 until 31.5.2020 (and subsequently at 2,65%) will be payable on such deemed dividend to the extent that the ultimate owners at the end of the period of two years from the end of the year of assessment to which the profits refer are both Cyprus tax resident and Cyprus domiciled. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year at any time. This special contribution for defence and G.E.S.Y. are paid by the company for the account of the shareholders.

The notes on pages 12 to 23 are an integral part of these financial statements.

APHRODITE SPRINGS PUBLIC LIMITED

STATEMENT OF CASH FLOWSFor the year ended 31 December 2020

	Note	2020 €	2019 €
Cash flows from operating activities			
Loss for the year		<u>(143.198)</u>	<u>(88.834)</u>
Cash flows used in operations before working capital changes		(143.198)	(88.834)
(Increase)/decrease in other receivables and prepayments		(31.053)	18.896
Increase in other payables		509.182	5.580
Increase in payable to related parties (trading)		50.000	50.000
(Increase)/decrease in restricted bank balances		<u>-</u>	<u>(25.744)</u>
Cash generated from/(used in) operations		<u>384.931</u>	<u>(40.102)</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	6	<u>(502.000)</u>	<u>(522.496)</u>
Net cash used in investing activities		<u>(502.000)</u>	<u>(522.496)</u>
Cash flows from financing activities			
Increase in payables to related parties - financing		<u>117.069</u>	<u>562.598</u>
Net cash generated from financing activities		<u>117.069</u>	<u>562.598</u>
Net increase in cash and cash equivalents		-	-
Cash and cash equivalents at beginning of the year		<u>-</u>	<u>-</u>
Cash and cash equivalents at end of the year		<u><u>-</u></u>	<u><u>-</u></u>

During the year ended 31 December 2019, the balance due to the non-controlling shareholder was not settled in cash but was instead waived by the same.

The notes on pages 12 to 23 are an integral part of these financial statements.

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. INCORPORATION AND PRINCIPAL ACTIVITIES

Aphrodite Springs Public Limited (the "Company") was incorporated in Cyprus on 7 April 2006 as a private limited liability company under the Cyprus Companies Law, Cap. 113. On 13 December 2017, the Company changed its legal form from a private limited liability company to that of a public company. Its registered office is at Office 303, 3rd Floor, Agathaggelos Court, 10 Georgiou Gennadiou Street, 3041 Limassol, Cyprus.

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

The Company's shares were successfully listed on the Cyprus Stock Exchange (Emerging Companies Market) on 23 July 2020.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements were authorized for issue by the Board of Directors on 28 April 2021.

(b) Basis of measurement

The financial statements are for the year ended 31 December 2020 and have been prepared under the historical cost convention.

(c) Going concern

The Company incurred a loss of €143.198 during the year ended 31 December 2020 and, as of that date, the Company's current liabilities exceeded its current assets by €5.637.723 and the shareholders' deficit amounted to €373.955. Furthermore, following the granting of the planning permit for the development of its golf and real estate project, the Company is due to make annual payments of €500.000 (note 14) to the authorities and will continue to incur other expenses in the foreseeable future as the strategy for execution of this project develops and progresses.

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

- As at 31 December 2020, of total liabilities of €5.637.723, the amount of €5.112.742 was due to Aphrodite Hills Resort Ltd ('AHRL') a company under common control. This balance was settled post year from funds injected by two of the direct shareholders. In accordance with the terms of the agreement through which the injected funds were provided, the Company has the option to issue shares to its direct shareholders to settle the contribution made.
- Notwithstanding the above, the Company has also secured financial support from its controlling shareholder, Prodea Real Estate Investment Company S.A. ("Prodea"), who will be the majority creditor in the case where the Company elects not to exercise its option to issue the aforementioned shares. More specifically, Prodea confirmed to the Company in writing on 5 March 2021 that it has the intention and the ability to provide the necessary financial support to the Company to enable it to continue as a going concern and to meet its obligations as they fall due.
- The fair value of the land owned by the Company significantly exceeds its carrying value. This provides additional comfort as the fair value of the Company's assets exceed its liabilities (the land is currently accounted for at cost).

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. BASIS OF PREPARATION *(continued)*

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

As from 1 January 2020, the Company 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 Company.

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 2020. Those which may be relevant to the Company are set out below. The Board of Directors expects that the adoption of these financial reporting standards in future periods will not have a significant effect on the financial statements of the Company.

(i) Standards and Interpretations adopted by the EU

- IFRS 9 “Financial Instruments” (Amendments), IAS 39 “Financial Instruments: Recognition and Measurement” (Amendments) and IFRS 7 “Financial Instruments: Disclosures” (Amendments): Interest Rate Benchmark Reform – Phase 2 (effective for annual periods beginning on or after 1 January 2021).

(ii) Standards and Interpretations not adopted by the EU

- IAS 1 “Presentation of Financial Statements” (Amendments): Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023).

(e) Use of estimates and judgments

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

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

(f) Functional and presentation currency

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

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been applied consistently for all the years presented in these financial statements, except if mentioned otherwise.

Finance/income expenses

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

Property, plant and equipment

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

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

No depreciation is provided on land.

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

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

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

Tax

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

Financial instruments

Recognition and initial measurement

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

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

Subsequent to initial recognition they are measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

Financial assets - classification and subsequent measurement

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

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets - classification and subsequent measurement (continued)

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

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

Financial assets at amortised cost comprise of other receivables, receivables from related parties and restricted bank balances.

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

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

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

Interest income, foreign exchange gains and losses and impairment losses are recognised in the income statement.

Financial assets at FVTPL are subsequently measured at fair value and changes therein are generally recognised in the income statement.

Financial liabilities

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

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

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

Impairment of financial assets

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

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

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets (continued)

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

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

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

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

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 365 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

Write-off

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

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition of financial assets

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

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

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

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 the income statement.

Impairment of non-financial

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.

Share capital

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

Comparatives

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

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. NET FINANCING EXPENSES

	2020 €	2019 €
Bank charges	42	6

5. TAXATION

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

	2020 €	2019 €
Accounting loss before tax	(143.198)	(88.834)
Tax calculated at the applicable corporation tax rates	(17.900)	(11.104)
Tax effect of expenses not deductible for tax purposes	1.713	44
Tax effect of notional interest allowable for tax purposes	(12.386)	-
Current year tax loss for which no deferred tax asset is recognised	(28.573)	11.061
	-	-

The corporation tax rate is 12,5% (2019: 12,5%).

Unrecognised deferred tax assets

As at the reporting date, a deferred tax asset has not been recognised in respect of accumulated tax losses amounting to €395 thousand (2019: €173 thousand), as it is not probable that future taxable profit will be generated against which the Company can utilise benefits therefrom before these tax losses expire. An amount of tax losses expires each year, and these tax losses fully expire by 31 December 2025. Tax losses for which no deferred tax asset was recognised expire as follows:

Tax year	Expiration year	2020 €	2019 €
		€	€
2015	2020	-	6.656
2016	2021	19.597	19.597
2017	2022	6.831	6.831
2018	2023	51.611	51.611
2019	2024	88.484	88.484
2020	2025	228.580	-
		395.103	173.179

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2020**6. PROPERTY, PLANT AND EQUIPMENT**

2020	Land	Golf development project under construction	Total
	€	€	€
Balance at 1 January 2020	2.468.786	2.018.203	4.486.989
Additions	-	502.000	502.000
Balance at 31 December 2020	<u>2.468.786</u>	<u>2.520.203</u>	<u>4.988.989</u>

2019

Balance at 1 January 2019	2.468.786	1.495.707	3.964.493
Additions	-	522.496	522.496
Balance at 31 December 2019	<u>2.468.786</u>	<u>2.018.203</u>	<u>4.486.989</u>

The Company's property is charged with a mortgage to a bank for a facility provided to a company that is related by virtue of common control. The mortgage was released subsequent to the year end, following the repayment by the related party of the bank loan tranche linked to the respective property (refer to note 16).

The addition of €500.000 relates to the third installment of the €5.000.000 levy due by the Company for obtaining the golf planning permit. The actual settlement of this balance was deferred the outbreak of the COVID-19 pandemic (note 14).

7. OTHER RECEIVABLES AND PREPAYMENTS

	2020 €	2019 €
VAT refundable	<u>191.495</u>	<u>160.442</u>
	<u>191.495</u>	<u>160.442</u>
Non-current portion	191.495	160.442
Current portion	-	-
	<u>191.495</u>	<u>160.442</u>

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

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

8. RESTRICTED BANK BALANCES

	2020 €	2019 €
Restricted bank balances	<u>83.284</u>	<u>83.284</u>

As at 31 December 2020, the Company held €83.284 (2019: €57.540) with the Bank of Cyprus. This balance is restricted in use by, and also is pledged to, the aforementioned bank for a facility it provided to a company related by virtue of common control. The Company has the right to request use of these funds when required, subject to approval from the bank. Restricted bank balances do not constitute cash and cash equivalents for the purposes of the cash flow statement. The security was released post year end (refer to note 16).

9. SHARE CAPITAL

	2020 Number of shares	2020 €	2019 Number of shares	2019 €
Authorised				
Shares of €1,71 each	<u>20.000</u>	<u>34.200</u>	<u>20.000</u>	<u>34.200</u>
Issued and fully paid				
Ordinary shares of €1,71 each	<u>20.000</u>	<u>34.200</u>	<u>20.000</u>	<u>34.200</u>

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue during the year.

	2020 €	2019 €
Loss attributable to the equity holders of the Company (€)	<u>(143.198)</u>	<u>(88.834)</u>
Weighted average number of ordinary shares in issue during the year and fully paid preference shares	<u>20.000</u>	<u>20.000</u>
Basic loss per share - basic and fully distributed (€ cents)	<u>(7,16)</u>	<u>(4,44)</u>

10. OTHER PAYABLES AND ACCRUALS

	2020 €	2019 €
Accruals	<u>522.071</u>	<u>12.889</u>

Within accruals an amount of €8.000 was recognized representing the auditor's remuneration for current year's audit. The amount was recognized in "Administrative expenses" caption in profit or loss. The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 12 to the financial statements.

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2020**11. RELATED PARTY BALANCES AND TRANSACTIONS**

The Company's immediate and ultimate controlling shareholder is Prodea Real Estate Investment Company SA.

The transactions and balances with related parties are as follows:

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

		2020 €	2019 €
<u>Name</u>	<u>Nature of transactions</u>		
Aphrodite Hills Resort Limited	Financing	5.012.742	4.895.673
Aphrodite Hills Resort Limited	Management fees	100.000	50.000
Aphrodite Hotels Limited	Trading	<u>2.910</u>	<u>2.910</u>
		<u>5.115.652</u>	<u>4.948.583</u>

The above balances are interest free, unsecured and have no specified repayment date. On this basis, the balances are considered to be payable on demand and have therefore been classified as short-term. The balances with Aphrodite Hills Resort Limited were fully settled post year end (refer to note 16).

(ii) Shareholders' current account - credit balance

		2020 €	2019 €
	<u>Nature of transactions</u>		
Non-controlling shareholder	Financing	<u>-</u>	<u>-</u>

During 2019, the balance due to the non-controlling shareholder was waived. The waived amount was recognised as a gain directly in the statement of changes in equity.

(iii) Management fees to company under common control

	2020 €	2019 €
Aphrodite Hills Resort Limited	<u>50.000</u>	<u>50.000</u>

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2020**12. FINANCIAL RISK MANAGEMENT****Financial risk factors**

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

- Credit risk
- Liquidity risk

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

(i) Credit risk

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

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

	2020 €	2019 €
Restricted bank balances	83.284	83.284
VAT refundable	<u>191.495</u>	<u>160.442</u>
	<u>274.779</u>	<u>243.726</u>

The Company's restricted bank balances are held with Bank of Cyprus Public Company Limited. As at the reporting date, Moody's long-term credit rating for Bank of Cyprus was B3 (2019: B3). 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 restricted bank balances is 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 2020 and 2019.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. It arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company relies on the support of related parties when managing liquidity (see note 2(c)).

The following are the contractual maturities of financial liabilities:

31 December 2020	Carrying amounts	Contractual cash flows	Between 1-12 months	Between 1-2 years	Between 2-5 years	More than 5 years
	€	€	€	€	€	€
Other payables and accruals	522.071	522.071	522.071	-	-	-
Payables to related companies	<u>5.115.652</u>	<u>5.115.652</u>	<u>5.115.652</u>	-	-	-
	<u>5.637.723</u>	<u>5.637.723</u>	<u>5.637.723</u>	-	-	-

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

12. FINANCIAL RISK MANAGEMENT (continued)

(ii) *Liquidity risk (continued)*

31 December 2019	Carrying amounts €	Contractual cash flows €	Between 1-12 months €	Between 1-2 years €	Between 2-5 years €	More than 5 years €
Other payables and accruals	12.889	12.889	12.889	-	-	-
Payables to related companies	<u>4.948.583</u>	<u>4.948.583</u>	<u>4.948.583</u>	-	-	-
	<u>4.961.472</u>	<u>4.961.472</u>	<u>4.961.472</u>	-	-	-

13. CONTINGENT LIABILITIES

The Company's assets are subject to a fixed and floating charge in favour of a bank for a facility provided to a company related by virtue of common control. These charges were released post yearend (refer to note 16).

14. CAPITAL COMMITMENTS

- The Company obtained the necessary town planning permit for the golf development and plot separation. The planning permit was granted subject to certain conditions being met. Amongst other things, the Company must pay €5 million in 10 equal yearly installments, the first of which was settled during 2018 and the second of which was settled in July 2019 (total outstanding as at 31 December 2020 €4.000.000). Both the aforementioned payments were made to the authorities by Aphrodite Hills Resort Limited on behalf of the Company.
- The Company signed a contract with Cabel B. Robinson S.L. (golf course architects) for the design and overall supervision of the golf development project. The total value of the contract is €340.000 of which work amounting to €30.000 has been undertaken to date. As the permit has now been granted, the Board of Directors expects that the remaining work under this contract to be executed once investors and the necessary financing are secured.
- The Company previously entered into an agreement with A.S.D Hyperstatic Engineering Design for the design of infrastructure which is required to be submitted for the Building Permit for an amount of €70.000 plus applicable VAT. As at 31 December 2020, the Company has paid €50.000 of this amount.

15. OPERATING ENVIRONMENT

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments have implemented restrictions on travelling as well as strict quarantine measures throughout the year.

In Cyprus, on 15 March 2020, the Council of Ministers, following an extraordinary meeting, announced that it considers that Cyprus is entering a state of emergency considering the uncertain situation as it unfolds daily, the growing spread of COVID-19 outbreak and the World Health Organization's data on the situation.

APHRODITE SPRINGS PUBLIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

15. OPERATING ENVIRONMENT

To this end, certain measures have been taken by the Republic of Cyprus since then with a view to safeguarding public health and ensuring the economic survival of working people, businesses, vulnerable groups and the economy at large.

New entry regulations have been applied with regards to protecting the population from a further spread of the disease which tightened the entry of individuals to the Republic of Cyprus within the year. Additionally, a considerable number of private businesses operating in various sectors of the economy had closed for a period of time while a number of lockdown measures, such as the prohibition of unnecessary movements and the suspension of operations of retail companies (subject to certain exemptions), were applied throughout the year. The measures had been continuously revised (lifted or tightened) by the Republic of Cyprus during the year taking into consideration the epidemic status in the country.

The objective of these public policy measures was to contain the spread of COVID-19 outbreak and have resulted in significant operational disruption for the Company. The event is reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2020. The Company's management has assessed:

- whether any impairment allowances are deemed necessary for the Company's financial and non – financial assets by considering the economic situation and outlook at the end of the reporting period.
- the ability of the Company to continue as a going concern

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome. Management's current expectations and estimates could differ from actual results.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact to the Company's financial performance and position.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

Management will continue to monitor the situation closely and assess/seek additional measures/committed facilities as a fall back plan in case the period of disruption becomes prolonged.

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

For the year ended 31 December 2020

16. SUBSEQUENT EVENTS

On 6 April 2021 the Company entered into two agreements with two of its shareholders (currently owning circa 63,7%) which provide the following:

- The injection of cash of circa €5,1m into the Company by the two shareholders, pro rata to their current shareholding;
- Use of the money injected to repay the balance due to AHRL;
- The amount received is considered an advance payment for the issue and allotment of new shares to the aforementioned shareholders pro rata to their contribution/shareholding. In the event that the Company does not proceed with the issue and allotment of shares to the shareholders within three months from the date of the agreement, then the amount of cash injected will be payable to the shareholders.

The payable to AHRL as described above was repaid on 2 April 2021. Following the repayment of the balance the Company's property was released from all mortgages and fixed and floating charges were also released.

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