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MARKELIA ENTERPRISES COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2018

MARKELIA ENTERPRISES COMPANY LIMITED

REPORT AND FINANCIAL STATEMENTS

31 December 2018

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MARKELIA ENTERPRISES COMPANY LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Irene Savvides
Vasilios Trikoupis

Company Secretary:

Adam Montanios
16 Panteli Katelari street
Diagoras House, floor 7
1097 Nicosia, Cyprus

Independent Auditors:

Crowe Cyprus Limited
Certified Public Accountants and Registered Auditors
Photiades Business Centre
1st floor, 8 Stassinou Avenue
P.O. Box 22545
1522 Nicosia

Registered office:

16 Panteli Katelari street
Diagoras House, floor 7
1097 Nicosia
Cyprus

MARKELIA ENTERPRISES COMPANY LIMITED

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2018.

Principal activities and nature of operations of the Company

The principal activity of the Company, which is unchanged from last year, is the provision of finance.

Review of current position, future developments and performance of the Company's business

The Company's development to date, financial results and position as presented in the financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company's losses.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 3 and 4 of the financial statements.

Results

The Company's results for the year are set out on page 6.

Dividends

The Board of Directors does not recommend the payment of a dividend.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Company's Board of Directors as at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2018.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

Events after the reporting period

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

Independent Auditors

The Independent Auditors, Crowe Cyprus 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 proposed at the Annual General Meeting.

By order of the Board of Directors,



Irene Savvides
Director

Nicosia, 23 September 2019

Independent Auditor's Report

To the Members of Markelia Enterprises Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Markelia Enterprises Company Limited (the "Company"), which are presented in pages 6 to 15 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the financial statements and our 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.

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. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the Financial Statements

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

Independent Auditor's Report (continued)

To the Members of Markelia Enterprises Company Limited

Responsibilities of the Board of Directors for the Financial Statements (continued)

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

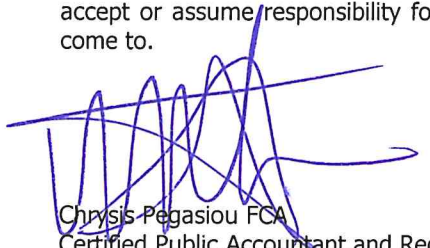
- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

Independent Auditor's Report (continued)

To the Members of Markelia Enterprises Company Limited

Other Matter

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



Chrysis Pegasiou FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

Crowe Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia, 23 September 2019

MARKELIA ENTERPRISES COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2018

| | Note | 2018 € | 2017 € |
|--|------|----------------|---------------|
| Loan interest income | | - | 51.064 |
| Loan interest expense | | - | (35.060) |
| Net interest income | | - | 16.004 |
| Administration expenses | | (5.972) | (3.782) |
| Operating (loss)/profit | | (5.972) | 12.222 |
| Net finance (costs)/income | 6 | (1.160) | 12.177 |
| (Loss)/profit before tax | | (7.132) | 24.399 |
| Tax | 7 | - | (5.106) |
| Net (loss)/profit for the year | | (7.132) | 19.293 |
| Other comprehensive income | | - | - |
| Total comprehensive (expenses)/ income for the year | | (7.132) | 19.293 |

The notes on pages 10 to 15 form an integral part of these financial statements.

MARKELIA ENTERPRISES COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2018

| | Note | 2018 € | 2017 € |
|-------------------------------------|------|-----------------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash at bank | 9 | <u>374.204</u> | 381.335 |
| Total assets | | <u>374.204</u> | <u>381.335</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 10 | <u>1.000</u> | 1.000 |
| Retained earnings | | <u>148.274</u> | 155.406 |
| Total equity | | <u>149.274</u> | <u>156.406</u> |
| Current liabilities | | | |
| Payables | 11 | <u>224.930</u> | 224.929 |
| Total equity and liabilities | | <u>374.204</u> | <u>381.335</u> |

On 23 September 2019 the Board of Directors of Markelia Enterprises Company Limited authorised these financial statements for issue.


.....
Irene Savvides
Director


.....
Vasilios Trikoupis
Director

The notes on pages 10 to 15 form an integral part of these financial statements.

MARKELIA ENTERPRISES COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

31 December 2018

| | Note | Share capital € | Retained earnings € | Total € |
|--|------|-----------------------|---------------------------|----------------|
| Balance at 1 January 2017 | | 1.000 | 358.663 | 359.663 |
| Comprehensive income | | | | |
| Net profit for the year | | - | 19.293 | 19.293 |
| Transactions with owners | | | | |
| Dividends | 8 | - | (222.550) | (222.550) |
| Balance at 31 December 2017/ 1 January 2018 | | 1.000 | 155.406 | 156.406 |
| Comprehensive expense | | | | |
| Net loss for the year | | - | (7.132) | (7.132) |
| Balance at 31 December 2018 | | 1.000 | 148.274 | 149.274 |

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 10 to 15 form an integral part of these financial statements.

MARKELIA ENTERPRISES COMPANY LIMITED

CASH FLOW STATEMENT

31 December 2018

| | Note | 2018 € | 2017 € |
|---|------|-----------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| (Loss)/profit before tax | | <u>(7.132)</u> | <u>24.399</u> |
| | | (7.132) | 24.399 |
| Changes in working capital: | | | |
| Increase in payables | | <u>1</u> | <u>222.550</u> |
| Cash (used in)/generated from operations | | (7.131) | 246.949 |
| Tax paid | | <u>-</u> | <u>(5.106)</u> |
| Net cash (used in)/generated from operating activities | | <u>(7.131)</u> | <u>241.843</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Loans repayments received | | <u>-</u> | <u>2.301.314</u> |
| Net cash generated from investing activities | | <u>-</u> | <u>2.301.314</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of borrowings | | <u>-</u> | <u>(2.021.528)</u> |
| Net cash used in financing activities | | <u>-</u> | <u>(2.021.528)</u> |
| Net (decrease)/increase in cash and cash equivalents | | (7.131) | 521.629 |
| Cash and cash equivalents at beginning of the year | | <u>381.335</u> | <u>(140.294)</u> |
| Cash and cash equivalents at end of the year | 9 | <u>374.204</u> | <u>381.335</u> |

The notes on pages 10 to 15 form an integral part of these financial statements.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. Incorporation and principal activities

Country of incorporation

The Company Markelia Enterprises Company Limited (the "Company") was incorporated in Cyprus on 14 May 2008 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 16 Panteli Katelari street, Diagoras House, floor 7, 1097 Nicosia, Cyprus.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the provision of finance.

2. Significant accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

Revenue recognition

Revenues earned by the Company are recognised on the following bases:

- **Loan interest income**

Loan interest income is recognised on a time-proportion basis using the effective interest method.

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

2. Significant accounting policies (continued)

Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

Tax

Current tax liabilities and assets 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 reporting date.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank.

Share capital

Ordinary shares are classified as equity.

3. Financial risk management

Financial risk factors

The Company is exposed to credit risk, liquidity risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 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 Company has no significant concentration of credit risk. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

3.2 Liquidity risk

Liquidity risk is the risk that 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 has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Financial risk management (continued)

3.3 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **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 Company 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.

5. Expenses by nature

| | 2018 | 2017 |
|------------------------------|--------------|--------------|
| | € | € |
| Administration expenses | 6.907 | 8.452 |
| Recharges to holding company | (1.425) | (5.020) |
| Annual levy | 350 | 350 |
| Fines | 140 | - |
| Total expenses | 5.972 | 3.782 |

6. Net finance (costs)/income

| | 2018 | 2017 |
|-----------------------------------|----------------|----------------|
| | € | € |
| Exchange profit | - | 13.582 |
| Finance income | - | 13.582 |
| Sundry finance expenses | (1.160) | (1.405) |
| Finance costs | (1.160) | (1.405) |
| Net finance (costs)/income | (1.160) | 12.177 |

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

7. Tax

| | 2018 | 2017 |
|--|----------|--------------|
| | € | € |
| Withholding tax on interest receivable | - | 5.106 |
| Charge for the year | - | 5.106 |

The tax on the Company's results before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

| | 2018 | 2017 |
|---|----------------|--------------|
| | € | € |
| (Loss)/profit before tax | (7.132) | 24.399 |
| Tax calculated at the applicable tax rates | (892) | 3.050 |
| Tax effect of expenses not deductible for tax purposes | 61 | 44 |
| Tax effect of allowances and income not subject to tax | 1 | (3.094) |
| Tax effect of tax loss for the year | 830 | - |
| Overseas tax in excess of credit claim used during the year | - | 5.106 |
| Tax charge | - | 5.106 |

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

8. Dividends

| | 2018 | 2017 |
|-------------------|------|---------|
| | € | € |
| Interim dividends | - | 222.550 |
| | - | 222.550 |

Dividends are subject to a deduction of special contribution for defence at 17% for individual shareholders that are both Cyprus tax resident and Cyprus domiciled.

9. Cash at bank

Cash balances are analysed as follows:

| | 2018 | 2017 |
|--------------|----------------|---------|
| | € | € |
| Cash at bank | 374.204 | 381.335 |
| | 374.204 | 381.335 |

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

10. Share capital

| | 2018 Number of shares | 2018 € | 2017 Number of shares | 2017 € |
|-------------------------------|-----------------------------|---------------|-----------------------------|-----------|
| Authorised | | | | |
| Ordinary shares of €1 each | <u>10.000</u> | <u>10.000</u> | 10.000 | 10.000 |
| | | € | | € |
| Issued and fully paid | | | | |
| Balance at 1 January | <u>1.000</u> | <u>1.000</u> | 1.000 | 1.000 |
| Balance at 31 December | <u>1.000</u> | <u>1.000</u> | 1.000 | 1.000 |

11. Payables

| | 2018 € | 2017 € |
|--|----------------|----------------|
| Shareholders' current accounts - credit balances (Note 12.3) | 222.550 | 222.550 |
| Accruals | <u>2.380</u> | <u>2.379</u> |
| | <u>224.930</u> | <u>224.929</u> |

The fair values of payables due within one year approximate to their carrying amounts as presented above.

12. Related party transactions

The following transactions were carried out with related parties:

12.1 Loan interest income

| | 2018 € | 2017 € |
|--------------------------------|-----------|---------------|
| For the year ended 31 December | - | 51.064 |
| | <u>-</u> | <u>51.064</u> |

12.2 Loan interest expense

| | 2018 € | 2017 € |
|--------------------------------|-----------|---------------|
| For the year ended 31 December | - | 35.060 |
| | <u>-</u> | <u>35.060</u> |

12.3 Shareholder's current account (Note 11)

| | 2018 € | 2017 € |
|-------------------|----------------|----------------|
| As at 31 December | <u>222.550</u> | 222.550 |
| | <u>222.550</u> | <u>222.550</u> |

Shareholder's current account amounting to €222.550 (2017: €222.550) is of finance nature, interest free and is has no specified repayment date.

MARKELIA ENTERPRISES COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. Events after the reporting period

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

Independent auditor's report on pages 3 to 5