Universal Golf Enterprises PLC

Financial Statements for the year ended
31 December 2014

FINANCIAL STATEMENTS
for the year ended 31 December 2014

Table of Contents

	Page
General Information	3
Directors' Report	4-7
Independent Auditor's Report	8-9
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Statement of Cash Flows	13
Notes to the Financial Statements	14-25

GENERAL INFORMATION

Board of Directors
Andreas Georghiou, Chairman
Dr. Andreas C. Kritiotis
Alexis Photiades
Pavlos Photiades
Adamos Constantinides

Company Secretary
Charalambos G. Chomatenos

Registered Office
Universal Tower
85 Dighenis Akritas Avenue
1070 Nicosia

Legal Advisors
Lellos P. Demetriades Law Office LLC

Independent Auditors
Ernst & Young Cyprus Ltd
Certified Public Accountants and Registered Auditors

DIRECTORS' REPORT

The Board of Directors presents its report and audited financial statements of Universal Golf Enterprises PLC (the 'Company") for the year ended 31 December 2014.

Incorporation

The Company was incorporated in Cyprus on 22 March 2011 as a private company under the name of Univasa Golf Enterprises Limited with limited liability under the Companies Law, Cap 113. On 20 July 2012 the Company's name changed to Universal Golf Enterprises Limited and on 2 October 2014 the Company was converted into a public company under the name Universal Golf Enterprises PLC. The Company is a subsidiary of Universal Life Insurance Public Company Limited. Its registered office is situated at 85 Dhigenis Akritas Avenue, 1070 Nicosia, Cyprus.

On 29 December 2014 the Company's shares were listed on the Emerging Companies' Market of the Cyprus Stock Exchange.

The number of employees of the Company as at 31 December 2014 was 3 persons (2013: 1).

Principal activities

The Company was incorporated with the sole purpose of the development and operation of the Vasa Golf Project. The Company has already applied for the planning permission and had received the preliminary license for golf course. Meanwhile, expert consultants from Cyprus and abroad are preparing all necessary plans for the implementation of the project.

Review of current position, future developments and significant risks

The Company's development to date, financial results and position as presented in the financial statements are considered to be consistent with the nature and volume of its activities.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks are described in Note 14 of the financial statements.

Operating environment

Real economic activity continued to contract in 2014 with Gross Domestic Product (GDP) dropping by 2,3% compared with a 5,4% contraction the year before as per the Cyprus Statistical Service.

Whilst the performance in 2014 has been better than initially anticipated, unlike previous years the external sector had a negative contribution. An increase in imports and a decline in exports worsened the current account and led to a negative contribution of net exports to real economic activity. With respect to domestic demand, the decline in private consumption narrowed down, whilst at the same time investment activity had a positive contribution. Investment expenditures however, were driven by inventory adjustments and purchases of transport equipment. In the productive sectors, like previous years, economic activity was supported by tourism and by professional and business services.

In the labour market, the unemployment rate per Eurostat rose to 16,2% in 2014, up from 15,9% the year before. Total employment continued to contract, albeit at a much slower pace than in previous years. The contraction in employment was offset by a further fall in the labour force, such that the unemployment rate was not significantly affected in the year.

Operating environment (continued)

Consumer prices in the year dropped by 1,4% after a drop of 0,4% in the previous year as per the Cyprus Statistical Service. The drop in average consumer prices was driven mainly by sizeable drops in rents, local goods and electricity supply. Against a background of subdued economic activity, low capacity utilisation, wage adjustments and low energy prices, inflationary pressures are expected to remain weak in the medium term.

In public finances, the fiscal adjustment effort continued and programme targets were comfortably surpassed. The primary balance turned significantly positive and the actual budget position of the government exactly balanced, which was one of the best fiscal performances in the eurozone for 2014. This was achieved primarily on the back of further consolidation measures and improved tax collection. Total expenditure remained on a declining path reflecting prudent budget execution.

Public debt rose to about 107% of GDP as per data published by the Ministry of Finance. It should be stated, however, that the debt to GDP ratio has been positively affected by the transition to a new European System of National and Regional Accounts.

The economy has proven quite resilient as evidenced by the better than expected performances in 2013 and 2014. The economy has also been more flexible than initially thought, as reflected in quantity and price adjustments. In accordance with the European Commission's EU Forecasts Winter 2015, growth is forecast to pick up gradually in 2015 and 2016. Private domestic demand is expected to pick up, especially given sustained lower energy prices. This will be reflected in the labour market, where unemployment is expected to gradually start to ease. Inflation is also expected to remain low, weighed down by the lower energy prices.

Economic activity may be hindered primarily because of a deepening recession in Russia and the steep devaluation of the rouble.

Downside risks remain and relate mostly to the high level of non-performing loans and the delays in the implementation of the relevant legal framework, as well as delays in the implementation of structural reforms agreed to in the economic adjustment programme. The ECB's recently announced programme of Quantitative Easing, assuming eligibility, is a positive development that will improve liquidity conditions. Stronger demand in the euro area as a result of quantitative easing, low energy prices, the weaker euro and robust growth can provide positive impetus to economic activity in 2015.

Cyprus has undergone five programme reviews by the Troika during the last two years, meeting most targets and achieving considerable adjustment. The contraction has been significantly less than anticipated and the banking sector has been downsized, recapitalised and restructured.

The fifth programme review took place in July 2014 and progress has been noted on fiscal adjustment and restructuring of the financial sector. So far, a total of €6,1 billion has been disbursed, of which €5,7 billion from the European Stability Mechanism and €428 million from the International Monetary Fund.

Results

During the year, the Company incurred a loss after tax of €200.996 (2013: loss €116.806). The accumulated losses amounted to €345.487 (2013: €144.491).

Dividend

The Board of Directors does not declare dividend for 2014 since the Company has no distributable profits as at 31 December 2014.

Share capital

Authorised capital

On 2 December 2013 the authorised share capital of the Company was increased from €50.000 consisting of 5.000.000 shares with nominal value of €0,01 each to €500.000 consisting of 50.000.000 shares of nominal value of €0,01 each.

Issued capital

On 4 July 2014 the issued share capital of the Company was increased by 28.000 shares of nominal value of €0,01 each.

On 25 September 2013, the Board of Directors increased the issued share capital from €5.000 consisting 500.000 shares with nominal value of €0,01 each to €26.000 consisting 2.600.000 shares with nominal value of €0,01 each.

Furthermore, on 30 December 2013, the Company's issued share capital was increased from €26.000 consisting 2.600.000 shares with nominal value of €0,01 to 34.300.000 shares with nominal value of €0,01, as a result of the issuance of 31.700.000 shares with a nominal value of €0,01 each at a premium of €1,173 each. These shares were issued to the Company's parent, Universal Life Insurance Public Company Limited, in exchange for real estate properties of a fair value on the date of execution of €37.514.991.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2014 and as at the date of this report are presented on page 3. All of them were members of the Board of Directors throughout the year 2014.

In accordance with the Company's Articles of Association, the Directors continue in office until they resign or removed by the shareholders.

There were no significant changes in the distribution of responsibilities and remuneration of the Board of Directors.

Events after the reporting date

There are no events after the end of the reporting date, which have a bearing on the understanding of the financial statements.

DIRECTORS' REPORT

Independent Auditors

The independent auditors of the Company, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office. A resolution proposing their appointment and authorising the Directors to set their remuneration will be proposed at the Annual General Meeting.

By Order of the Board of Directors

Charalambos G. Chomatenos
Secretary

21 April 2015

Building a better working world

Ernst & Young Cyprus Ltd
Jean Nouvel Tower
6 Stasinou Avenue
P.O.Box 21656
1511 Nicosia, Cyprus

Tel: +357 22209999
Fax: +357 22209998
ey.com

Independent Auditor's Report

To the Members of Universal Golf Enterprises PLC

Report on the Financial Statements

We have audited the financial statements of Universal Golf Enterprises PLC (the "Company") on pages 10 to 25, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' Responsibility for the Financial Statements

The Company's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better
working world

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Universal Golf Enterprises PLC as at 31 December 2014, 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 and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of these books.
- The Company's financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors on pages 4 to 7 is consistent with the financial statements.

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 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 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.

Savvas Pentaris
Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Nicosia
21 April 2015

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Note	*2014*	*2013*
		€	€
Operating expenses			
Operating expenses	4	(196.946)	(111.951)
Audit fees		(4.050)	(4.855)
		(200.996)	(116.806)
Income tax	5	-	-
Net loss for the year		(200.996)	(116.806)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(200.996)	(116.806)
Basic and diluted loss per share (€ cent)	6	(0,006)	(0,099)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Note	*2014*	*2013*
		€	€
ASSETS			
Non – current assets			
Equipment	9	22.045	26.997
Current assets			
Inventory	7	41.634.793	41.236.724
Advances for the purchase of inventory	13.2	147.160	147.160
VAT receivable		35.990	28.230
Cash at bank	10	21.944	19.134
		41.839.887	41.431.248
Total assets		41.861.932	41.458.245
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	343.280	343.000
Share premium	11	37.197.991	37.197.991
Accumulated losses		(345.487)	(144.491)
Total equity		37.195.784	37.396.500
Current liabilities			
Amount due to parent company	13.1	4.380.693	2.579.390
Trade and other payables	12	275.705	1.477.647
Accrued expenses		9.750	4.708
Total liabilities		4.666.148	4.061.745
Total equity and liabilities		41.861.932	41.458.245

On 21 April 2015 the Board of Directors of Universal Golf Enterprises PLC authorised the financial statements for issue.

Andreas Georghiou - Chairman

Dr. Andreas C. Kritiotis - Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Share capital	*Share premium*	*Accumulated losses*	*Total*
	€		€	€
At 1 January 2013	5.000	-	(27.685)	(22.685)
Issue of share capital	338.000	37.197.991	-	37.535.991
Total comprehensive expense for the year	-	-	(116.806)	(116.806)
At 31 December 2013	343.000	37.197.991	(144.491)	37.396.500
Issue of share capital	280	-	-	280
Total comprehensive expense for the year	-	-	(200.996)	(200.996)
At 31 December 2014	343.280	37.197.991	(345.487)	37.195.784

Companies which do not distribute at least 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 tax year in which profits, will be deemed to have distributed as dividends. Special contribution for defence at 17% for the year 2014 and beyond (20% for the year 2013) will be payable on such deemed dividend to the extent that the shareholders (individuals and companies) at the end of the period of two years from the end of the tax year in which the profits refer are Cyprus tax residents. The amount of this deemed dividend distribution is reduced by any actual dividend paid for the year in which the profits relate. This special contribution for defence is payable by the Company on behalf of shareholders.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Note	2014 €	2013 €
Cash flows from operating activities			
Loss before tax		(200.996)	(116.806)
Adjustments for:			
Depreciation		4.952	4.953
		(196.044)	(111.853)
Increase in inventory		(398.069)	(3.727.397)
Increase in equipment		-	(31.950)
Increase in VAT receivable		(7.760)	(16.431)
(Decrease) / increase in trade and other payables		(1.201.942)	1.477.647
Increase in accrued expenses		5.042	2.663
Net cash flows used in operating activities		(1.798.773)	(2.407.321)
Cash flows from financing activities			
Proceeds from the issue of share capital		280	21.000
Increase in amount due to parent company		1.801.303	2.404.213
Net cash flows from financing activities		1.801.583	2.425.213
Net increase in cash and cash equivalents		2.810	17.892
Cash and cash equivalents at beginning of the year		19.134	1.242
Cash and cash equivalents at the end of the year	10	21.944	19.134

1. Corporate information

The financial statements of Universal Golf Enterprises PLC, the "Company" for the year ended 31 December 2014 were authorised for issue in accordance with the resolution of the Board of Directors on 21 April 2015.

The Company was incorporated in Cyprus on 22 March 2011 as a private company under the name of Univasa Golf Enterprises Limited with limited liability under the Companies Law, Cap 113. On 20 July 2012 the Company's name changed to Universal Golf Enterprises Limited and on 2 October 2014 the Company was converted into a public company under the name Universal Golf Enterprises PLC. The Company is a subsidiary of Universal Life Insurance Public Company Limited. Its registered office is situated at 85 Dhigenis Akritas Avenue, 1070 Nicosia, Cyprus.

On 29 December 2014 the Company's shares were listed on the Emerging Companies Market of the Cyprus Stock Exchange.

The number of employees of the Company as at 31 December 2014 was 3 persons (2013: 1).

Principal activities

The Company was incorporated with the sole purpose of the development and operation of the Vasa Golf Project. The Company has already applied for the planning permission and had received the preliminary license for golf course. Meanwhile, expert consultants from Cyprus and abroad are preparing all necessary plans for the implementation of the project.

2. Summary of significant accounting policies

A summary of the principal accounting policies in the preparation of these financial statements are set out below.

Basis of preparation

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

The financial statements have been prepared on a historical cost basis and are presented in Euro (€), which is the functional and presentation currency of the Company.

Adoption of new and revised IFRSs

As from 1 January 2014, the Company adopted all the new and revised IFRS, which are relevant to its operations and effective for accounting periods beginning on 1 January 2014. The adoption of these Standards did not have a material effect on the financial statements of the Company.

2. Summary of accounting policies (continued)

Standards, interpretations and amendments to published standards that are not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted. These are not expected to have a significant impact on the Company's financial statements when they become effective.

Financial instruments

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

Initial recognition and measurement

Financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets comprise cash at bank.

Cash and cash equivalents

Cash and short-term deposits in the statement of cash flows comprise cash at bank and short-term deposits with an original maturity of three months or less.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, less directly attributable transaction costs. The Company's financial liabilities comprise other payables and amount due to parent company.

Other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Amount due to parent company

The amount due to the parent company is initially measured at fair value of the consideration received net of issue costs. Subsequently it is measured at amortised cost using the effective interest method.

2. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities

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 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 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.

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 in the statement of comprehensive income.

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 on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

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.

Equipment

Equipment is measured at cost, less accumulated depreciation and any impairment in value. Depreciation is calculated on cost, on a straight line basis over its estimated useful life, using the following annual rates:

Motor vehicles	15%
Computer equipment	20%

At the reporting date, the carrying value of equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying value exceeds the estimated recoverable amount equipment is written down to its recoverable amount.

2. Summary of accounting policies (continued)

Inventory

Inventories are valued at the lower of cost and net realisable value (NRV). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

The cost includes:

- ownership rights and leasing costs of land
- construction costs
- borrowing costs, design and planning costs, the cost of site preparation, professional fees, property transfer taxes and other related expenses
- non refundable commissions to sales or promotion agents for the sale of units of property when paid.

NRV for completed inventory is assessed by reference to market conditions and prices existing at the reporting date and is determined by the Company, based on comparable transactions identified by the Company for properties in the same geographical market serving the same real estate segment.

NRV in respect of inventory under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction, estimated costs to complete construction and an estimate of the time value of money to the date of completion.

The cost of inventories recognized in the calculation of the gain or loss on disposal is determined by reference to specific expenses incurred for the property sold and an allocation of non - specific costs based on the relative size of the unit being sold.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognised as an expense.

Qualifying asset

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale.

Income Tax

Current income tax assets and liabilities for the current period are measured at the period expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. Summary of accounting policies (continued)

Income Tax (continued)

Deferred income 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 income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

Foreign currency translation

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.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevalling 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 the profit or loss in the statement of comprehensive income. Non-monetary assets that are measured at historic cost in a foreign currency are retranslated using the exchange rates as at the date of the initial transactions.

3. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the Company's management to make estimates and 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 income and expenses during the reporting period. Therefore actual results may differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary they are reported in the period in which they arise.

These assumptions and estimates with respect to the impact that may have on the results and financial position of the Company are set out below.

Going concern

The Board of Directors prepared these financial statements on a going concern basis. In making this judgement, the Board of Directors considered the Company's financial position, current intentions, profitability of operations and access to financial resources.

Classification of property

The Company determines whether the property is classified as investment property or inventory.

Investment property includes land and buildings that are not occupied substantially for use by, or in the operations of the Company, nor for sale as part of its business, but held primarily to earn rental income and for the appreciation of the property.

Inventory comprises property that is held for sale in the ordinary course of business. Principally, these are the properties that the Company intends to develop and sell before or on completion of construction.

3. Significant accounting judgments and estimates (continued)

Fair value

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In the case of property held, valuations are carried out periodically so that the carrying value is not materially different from the fair value. Valuations are carried out by qualified valuers by applying a valuation model recommended by the International Valuation Standards. Depending on the nature of the underlying asset and available market information, the determination of the fair value of property may require the use of estimates such as future cash flows from assets and discount rates applicable to those assets. All these estimates are based on local market conditions existing at the reporting date. In arriving at their estimates of market values as at the reporting date, the valuers used their market knowledge and professional judgement and did not rely solely on historical transactional comparables, taking into consideration that there is a greater degree of uncertainty than that which exists in a more active market, in estimating the market values of property. Further information on inputs used is disclosed in Note 7.

Income tax

The Company operates and therefore is subject to taxation in Cyprus. Estimates are required in determining the provision for taxes at the reporting date and therefore the final tax determination is uncertain. Where the final tax is different from the amounts that were initially recorded, such differences will impact the income tax expense, tax liabilities and deferred tax liabilities in the period which the final tax is agreed with the tax authorities.

4. Operating expenses

	2014	2013
	€	€
Salaries and employer contributions	158.906	77.293
Legal and other professional fees	9.415	8.438
Travelling	1.577	3.665
Company registration and license fees	2.544	3.050
Net realisable value allowance	(3.512)	3.512
Repair and maintenance expenses	13.414	4.017
Advertising and promotional expenses	3.135	5.415
Printing and stationery	484	789
Bank charges	82	57
Depreciation	4.952	4.953
Other services	2.025	-
Other expenses	3.924	762
	196.946	111.951

The fees (including taxes) for audit services rendered from the independent auditors of the Company, Ernst & Young Cyprus Ltd for the year ended 31 December 2014 were €4.050 (2013: €4.855).

The other services relate to services rendered from the independent auditors of the Company, Ernst & Young Cyprus Ltd for the six months review 30 June 2014 (2013: Nil).

5. Income Tax

The income tax rate is 12,5% (2013: 12,5%).

The Company is a member of a group of companies for the purposes of Article 13 of the Income Tax Law. An amount of €176.662, as at 31 December 2014 was surrendered to its parent company, Universal Life Insurance Public Company Ltd.

Under current legislation, tax losses may be carried forward for five years from the end of the relevant tax year and set off against future taxable income. The Company has accumulated losses carried forward for tax purposes amounting to €24.079 as at 31 December 2014 that may be offset against future taxable profits in the next 5 years.

The accumulated losses carried forward at 31 December 2014 and 31 December 2013 by expiry, are shown below:

	31 December 2014	*31 December 2013*
	€	*€*
Losses of 2011 carried forward up to 2016	1.226	1.226
Losses of 2012 carried forward up to 2017	22.853	22.853
Losses of 2014 carried forward up to 2019	-	-
Total losses carried forward	24.079	24.079

No deferred tax asset has been recognized as the Company does not expect that it is probable that it will generate sufficient taxable income within the relevant period to be able to utilise these losses.

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

	2014	*2013*
	€	*€*
Loss before tax	(200.996)	(116.806)
Tax calculated at the applicable tax rates (12.5%)	(25.125)	(14.600)
Tax effect of:		
Expenses not deductible	2.503	1.335
Differences in depreciation rates	539	539
Tax losses surrendered to parent	22.083	12.726
Tax losses carried forward	-	-
Tax charge for the period	-	-

6. Loss per share

	2014	*2013*
	€	*€*
Basic and diluted loss per share		
Loss for the period	(200.996)	(116.806)
Weighted average number of shares in circulation over the year	34.313.808	1.179.452
Basic and diluted loss per share	(0,006)	(0,099)

At 31 December 2014 there are no potential dilutive ordinary shares outstanding (31 December 2013: Nil).

7. Inventory

Inventory includes acquisition costs, construction costs, cost for direct labour, earthworks and other indirect costs to develop a golf course in the Vasa Kellakiou area.

	2014	*2013*
	€	*€*
At 1 January	41.236.724	141.496
Additions	197.659	40.397.860
Construction costs	87.858	635.353
Interest capitalised	208.975	65.527
Net realisable value allowance	3.512	(3.512)
Reversal of prior year accruals	(99.935)	-
	41.634.793	41.236.724

During 2013, the Company acquired properties with a cost of €3.030.029 and additionally properties €37.367.831 were transferred to the Company from its parent company Universal Life Insurance Public Company Limited.

The fair value of inventory was €43.587.608 as per valuation at 31 December 2014 (€42.171.203 at 31 December 2013). The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The valuation of properties is classified at level 3. The valuation technique mainly applied by the Company is the market comparable approach, adjusted for market and property specific conditions.

7. Inventory (continued)

The key inputs used for the valuations of properties are presented in the tables below:

Type and area	Valuation method	Key unobservable input	Range (weighted average) 2014	2013
Vasa Kellakiou-plots	Market comparison approach	Total area	2.053.315 m^2	2.348.293 m^2
		Estimated fair value per m^2	21,23	17,96
		Highest and best use	Development of a golf project	Development of a golf project

8. Segmental information

No segmental information is provided because the Company operates exclusively in the real estate sector.

9. Equipment

	Motor Vehicle €	Computer Equipment €	Total €
2014			
Cost or valuation			
1 January	28.750	3.200	31.950
Additions	-	-	-
31 December	28.750	3.200	31.950
Depreciation			
1 January	4.313	640	4.953
Charge for the year	4.312	640	4.952
31 December	8.625	1.280	9.905
Net book value			
31 December	20.125	1.920	22.045
2013			
Cost or valuation			
1 January	-	-	-
Additions	28.750	3.200	31.950
31 December	28.750	3.200	31.950
Depreciation			
1 January	-	-	-
Charge for the year	4.313	640	4.953
31 December	4.313	640	4.953
Net book value			
31 December	24.437	2.560	26.997

10. Cash at bank

	2014	*2013*
	€	*€*
Cash at bank	21.944	19.134

Cash at bank represents amounts in a current account that earned no interest during the year (2013: Nil).

11. Share capital

	2014	*2013*
	€	*€*
Authorised		
50.000.000 shares of €0,01 each (2013: 50.000.000 shares of €0,01 each)	500.000	500.000
Issued and fully paid		
34.328.000 shares of €0,01 each (2013: 34.300.000 shares of €0,01 each)	343.280	343.000

On 2 December 2013 the authorised share capital of the Company was increased from €50.000 consisting of 5.000.000 shares with nominal value of €0,01 each to €500.000 consisting of 50.000.000 shares of nominal value of €0,01 each.

On 25 September 2013, the Board of Directors increased the issued share capital from €5.000 consisting 500.000 shares with nominal value of €0,01 each to €26.000 consisting 2.600.000 shares with nominal value of €0,01 each.

Furthermore, on 30 December 2013, the Company's issued share capital was increased from €26.000 consisting 2.600.000 shares with nominal value of €0,01 to 34.300.000 shares with nominal value of €0,01, as a result of the issuance of 31.700.000 shares with a nominal value of €0,01 each at a premium of €1,173 each. These shares were issued to the Company's parent, Universal Life Insurance Public Company Limited, in exchange for real estate properties of a fair value on the date of execution of €37.514.991.

On 4 July 2014 the issued share capital of the Company was increased by 28.000 shares of nominal value of €0,01 each. The Company granted 5.000 shares to Universal Properties Ltd, Universal Nominees Ltd and Universal Insurance Agency Ltd and 1.000 shares to the Directors and the Secretary of the Company.

12. Trade and other payables

Trade and other payables relate to the acquisition of inventory and other inventory related costs. These amounts are repayable on demand and bear no interest.

13. Related party transactions

The Company is a wholly owned subsidiary of Universal Life Insurance Public Company Limited. The ultimate shareholder of Universal Life Insurance Public Company Limited is Photos Photiades Group Limited. The following transactions were carried out with related parties:

13. Related party transactions (continued)

13.1 Amount due to parent company

The amount due to the parent company is repayable on demand and bears interest at 6% per year. Interest expense on this amount is capitalised in inventory.

13.2 Advances for inventory

The amount of €147.160 represents the value of a plot of land that was approved for transfer from the parent company as part of the reorganisation.

This property was not transferred to Universal Golf Enterprises PLC as a process to exchange it with government land is in progress, expected to be completed in 2015. The property, once received, will be transferred to Universal Golf Enterprises PLC. Hence, this amount is presented as advances for inventory and has been included in the exchange calculations.

14. Financial risk management

The Company is exposed to a variety of risks from the financial instruments it holds, the most significant of which are the following.

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its current and future obligations in full or on time. The Company is exposed to liquidity risk, since it has to meet its current and future obligations and at the moment has no income from its operations.

The parent company expressed its willingness to continue to provide adequate funds to the Company to meet its liabilities and not to demand repayment of the amounts due to the parent until the Company is in a position to do so.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Cash balances are held with financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

The Company does not consider credit risk to be significant as the advance for the purchase of inventory is with the parent company, which also provides significant financing to the Company (Note 13.1) and its cash balances despite being deposited with only one financial institution are not a significant amount.

15. Capital management

The Company sets objectives to maintain healthy capital ratios in order to support its business objectives and maximize value for shareholders.

Adjustments to capital levels may occur in the light of changes in the economic situation and the risks specific to the activities of the Company. In order to maintain the required capital, the Company may adjust the amount of dividends paid to the parent company.

16. Capital commitments

The obligations arising from agreements for construction costs related to Company's inventory at 31 December 2014 amount to €18.700.

17. Fair value of financial instruments

The fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participants at the measurement date.

The Company's management believes that the fair value of the financial assets and liabilities of the Company is approximately equal to their carrying value at the reporting date.