

**Universal Golf Enterprises PLC**  
Financial Statements for the year ended  
31 December 2018

# **Universal Golf Enterprises PLC**

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## **FINANCIAL STATEMENTS for the year ended 31 December 2018**

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**Universal Golf Enterprises PLC**  
**GENERAL INFORMATION**

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**Board of Directors**

Andreas Georghiou, Chairman

Dr. Andreas C. Kritiotis (resigned on 2 February 2018)

George Georghiou

Evan Gavas (appointed on 11 June 2018)

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

## **Universal Golf Enterprises PLC**

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### **MANAGEMENT'S 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 2018.

#### **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. Its registered office is situated at 85 Dhigenis Akritas Avenue, 1070 Nicosia, Cyprus.

The Company is a subsidiary of Universal Life Insurance Public Company Limited, a company incorporated in Cyprus. Copies of the Consolidated Financial Statements of Universal Life Insurance Public Company Ltd can be obtained from 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 2018 was 2 persons (2017: 2).

#### **Principal activities**

The Company's sole activity is the development and operation of the Limassol Hills Golf Project. The Company obtained the required planning permission for the project in May 2018. The project is expected to include a golf club, a boutique hotel, a tourist village as well as an extensive residential development of luxurious residences. Management's intention is to develop the project in association with a reputable international investor.

#### **Review of current position, future developments and significant risks**

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

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

In addition to financial risks the Company is also facing risks arising from the property it holds by the Company which relates to the general uncertainty prevailing in the Cyprus real estate market.

The prevailing uncertainty over the economic developments in Cyprus in the financial and property sectors in particular, makes forecasts of the future developments in the real estate market difficult.

#### **Results**

During the year, the Company made a profit €1,941,489 (2017: loss €2,419,821). The accumulated losses to date amount to €2,493,876 (2017: €4,435,365).

#### **Dividend**

The Board of Directors is not in a position to declare a dividend for 2018 since the Company has no distributable profits as at 31 December 2018.

#### **Share capital**

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

## **Universal Golf Enterprises PLC**

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### **MANAGEMENT'S REPORT**

#### **Board of Directors**

The members of the Company's Board of Directors as at 31 December 2018 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 2018, except for Mr Evan Gavas who was appointed as a member of the Board on 11 June 2018. Dr. Andreas Kritiotis resigned from the Board of Directors on 2 February 2018.

In accordance with the Company's Articles of Association, Messrs Alexis Photiades and Adamos Constantinides retire by rotation and being eligible, offer themselves for re-election. Also Mr. Evan Gavas, who was appointed on the 11<sup>th</sup> of June 2018 retires and being eligible, offers himself for re-election. The vacancies so created will be filled by election.

There were no significant changes in the distribution of responsibilities of the Board of Directors. The Directors' remuneration for the year were €1.000 for the Chairman and €130 per meeting for each Director, who resides in Nicosia and €190 per meeting for each Director who resides outside Nicosia.

#### **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.

#### **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

16 April 2019

## **Independent Auditor's Report**

### **To the Shareholders of Universal Golf Enterprises PLC**

#### **Report on the audit of the financial statements**

##### **Opinion**

We have audited the financial statements of Universal Golf Enterprises PLC (the “Company”), which are presented in pages 10 to 24 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (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.

##### **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.

We have fulfilled the responsibilities described in the Auditor’s responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

##### **1. Valuation of inventory**

The Company owns significant real estate properties, acquired for the purpose of the development of the Limassol Hills Golf Resort Project. These properties are classified by the Company as inventory of property in accordance with IAS 2 and are measured at the lower of cost and net realizable value (NRV).

where NRV is determined as the estimated selling price less costs to sell. Given the high estimation uncertainty inherent in real estate valuations, especially taking into account the current liquidity of the property market in Cyprus, as well as the fact that inventory represents 99.8% of the Company's total assets, we consider this as a key audit matter.

The disclosures regarding inventory are included in note 7 to the financial statements.

Our audit procedures included among others:

- Obtaining an understanding of the valuation process of stock of property.
- Evaluating the competence and independence of the external valuer engaged by the Company, by obtaining supporting evidence over the relevant experience and knowledge of the valuer.
- Agreeing the existence and ownership of the real estate, used by the external valuer employed by the Company, with reference to a report obtained by the Land Registry Department.
- Obtaining from the Company the comparison of the cost with the NRV and testing that the lower of the two was recorded as the value of the stock of property as at the reporting date.
- Assessing the estimate of the selling costs used in the Company's calculation of the NRV by utilizing the services of an independent valuation specialist.
- Assessing the Company's external valuer's assumptions used in the valuations by utilizing the services of an independent valuation specialist.
- Assessing the adequacy of the disclosures relating to inventory.

### **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 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 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.

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.

Those charged with governance are 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 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, related safeguards.



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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **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.

### **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.

The engagement partner on the audit resulting in this independent auditor's report is Savvas Pentaris.



Savvas Pentaris  
Certified Public Accountant and Registered Auditor

for and on behalf of  
Ernst & Young Cyprus Limited  
Certified Public Accountants and Registered Auditor

16 April 2019

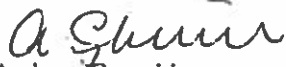
**Universal Golf Enterprises PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2018**

	<i>Note</i>	<i>2018</i> €	<i>2017</i> €
Reversal of impairment/(impairment) of inventory	7	2.226.935	(2.403.177)
Operating expenses	4	<u>(218.638)</u>	<u>(146.439)</u>
Net profit / (loss) for the year before tax		2.008.297	(2.549.616)
Income tax	5	<u>(66.808)</u>	<u>129.795</u>
<b>Net profit / (loss) for the year</b>		<b>1.941.489</b>	<b>(2.419.821)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income / (loss) for the year</b>		<b><u>1.941.489</u></b>	<b><u>(2.419.821)</u></b>
Basic and diluted earnings / (loss) per share	6	<u>0,057</u>	<u>(0,070)</u>

**Universal Golf Enterprises PLC**  
**STATEMENT OF FINANCIAL POSITION**  
**as at December 2018**

	<i>Note</i>	<i>2018</i>	<i>2017</i>
		€	€
<b>ASSETS</b>			
<b>Non – current assets</b>			
Equipment	9	<u>6.984</u>	<u>9.540</u>
<b>Current assets</b>			
Inventory	7	42.671.150	39.420.250
VAT receivable		69.007	58.293
Cash at bank	10	<u>4.849</u>	<u>13.762</u>
<b>Total current assets</b>		<u>42.745.006</u>	<u>39.492.305</u>
<b>Total assets</b>		<u>42.751.990</u>	<u>39.501.845</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	343.280	343.280
Share premium		37.197.991	37.197.991
Accumulated losses		<u>(2.493.876)</u>	<u>(4.435.365)</u>
<b>Total equity</b>		<u>35.047.395</u>	<u>33.105.906</u>
<b>Non-current liabilities</b>			
Deferred tax	5	<u>285.938</u>	<u>219.130</u>
<b>Current liabilities</b>			
Amount due to parent company	13.1	7.359.265	6.166.265
Trade and other payables	12	18.000	-
Accrued expenses		41.392	10.544
<b>Total current liabilities</b>		<u>7.418.657</u>	<u>6.176.809</u>
<b>Total liabilities</b>		<u>7.704.595</u>	<u>6.395.939</u>
<b>Total equity and liabilities</b>		<u>42.751.990</u>	<u>39.501.845</u>

On 16 April 2019 the Board of Directors of Universal Golf Enterprises PLC authorised the financial statements for issue.

  
 Andreas Georghiou - Chairman

  
 Evan Gavas - Director

**Universal Golf Enterprises PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2018**

	<i>Share capital</i> €	<i>Share premium</i>	<i>Accumulated losses</i> €	<i>Total</i> €
<b>At 1 January 2017</b>	343.280	37.197.991	(2.015.544)	35.525.727
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>(2.419.821)</u>	<u>(2.419.821)</u>
<b>At 31 December 2017</b>	<u>343.280</u>	<u>37.197.991</u>	<u>(4.435.365)</u>	<u>33.105.906</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>1.941.489</u>	<u>1.941.489</u>
<b>At 31 December 2018</b>	<u>343.280</u>	<u>37.197.991</u>	<u>(2.493.876)</u>	<u>35.047.395</u>

Companies which do not distribute at least 70% of their profits after tax, as defined by the Special Contribution for the Defense 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 defense at 17% for the year 2015 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.

## Universal Golf Enterprises PLC

### STATEMENT OF CASH FLOWS for the year ended 31 December 2018

	<i>Note</i>	<i>2018</i> €	<i>2017</i> €
<b>Cash flows from operating activities</b>			
Profit / (loss) before tax		2.008.297	(2.549.616)
Adjustments for:			
Depreciation		5.360	5.435
Change in the net realizable value of inventory		(2.226.935)	2.403.177
		<u>(213.278)</u>	<u>(141.004)</u>
<b>Changes in operating assets and liabilities</b>			
Increase in inventory		(698.069)	(415.199)
Increase in VAT receivable		(10.716)	(5.411)
Increase / (decrease) in trade and other payables		18.000	(9.044)
Increase / (decrease) in accrued expenses		30.847	(11.825)
		<u>(873.216)</u>	<u>(582.483)</u>
<b>Net cash flows used in operating activities</b>			
		<u>(873.216)</u>	<u>(582.483)</u>
<b>Cash flows from investing activities</b>			
Purchase of equipment and intangible assets		(2.800)	(2.486)
<b>Net cash flows used in investing activities</b>		<u>(2.800)</u>	<u>(2.486)</u>
<b>Cash flows from financing activities</b>			
Receipts from parent company		867.103	570.036
<b>Net cash flows from financing activities</b>		<u>867.103</u>	<u>570.036</u>
<b>Net decrease in cash and cash equivalents</b>		(8.913)	(14.933)
Cash and cash equivalents at 1 January		13.762	28.695
<b>Cash and cash equivalents at 31 December</b>	10	<u>4.849</u>	<u>13.762</u>

## **Universal Golf Enterprises PLC**

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### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018**

#### **1. Corporate information**

The financial statements of Universal Golf Enterprises PLC, the "Company" for the year ended 31 December 2018 were authorised for issue in accordance with the resolution of the Board of Directors on 16 April 2019.

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 2018 was 2 persons (2017: 2).

The Company is a subsidiary of Universal Life Insurance Public Company Limited, a company incorporated in Cyprus. Copies of the Consolidated Financial Statements of Universal Life Insurance Public Company Ltd can be obtained from 85 Dhigenis Akritas Avenue, 1070 Nicosia, Cyprus.

#### **Principal activities**

The Company's sole activity is the development and operation of the Limassol Hills Golf Project. The Company obtained the required planning permission for the project in May 2018. The project is expected to include a golf club, a boutique hotel, a tourist village as well as an extensive residential development of luxurious residences. Management's intention is to develop the project in association with a reputable international investor.

#### **2. Summary of significant accounting policies**

A summary of the principal accounting policies in the preparation of these financial statements is 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.

##### **Going Concern**

Management has prepared the financial statements on a going concern basis, based on the fact that the Company's parent has 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 until the Company is in a position to do so.

## **Universal Golf Enterprises PLC**

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### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018**

#### **2. Summary of significant accounting policies *(continued)***

##### **Adoption of new and revised IFRSs**

As from 1 January 2018, the Company adopted all the new and revised IFRS, which are relevant to its operations and effective for accounting periods beginning on 1 January 2018. IFRS 9 is adopted for annual periods beginning on or after 1 January 2018 and early application permitted. The application of IFRS 9 did not have a material impact on the Company's financial statements.

##### **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**

The classification of financial assets at initial recognition depends on the purpose of their acquisition and their characteristics.

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.

The Company's financial assets comprise cash at bank.

##### **Cash and cash equivalents**

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

##### **Financial liabilities**

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 rate method.

## Universal Golf Enterprises PLC

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### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 2. Summary of significant 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.

The share premium can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

##### **Equipment and intangible assets**

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

Office equipment	10%
Motor vehicles	15%
Computer equipment	20%
Computer software	33.33%



## **Universal Golf Enterprises PLC**

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### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018**

#### **2. Summary of significant accounting policies (continued)**

At the reporting date, the carrying value of equipment is assessed 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.

#### **Inventory**

Inventory is measured 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 inventory 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.

The Discounted Cash Flow (DCF) model is applied to arrive at the estimated selling price of inventory within the project's masterplan whereas the market comparable approach, adjusted for market and property specific conditions, is applied for inventory outside the project's masterplan.

#### **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.

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

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.

## Universal Golf Enterprises PLC

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### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 2. Summary of significant accounting policies *(continued)*

##### **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.

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 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 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.

## Universal Golf Enterprises PLC

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

#### 3. Significant accounting judgments and estimates (continued)

##### *Inventory of property – estimation of net realisable value*

Inventory of property is measured at the lower of cost and net realisable value. The net realisable value is determined as the estimated selling price less selling costs. The Company estimates the expected selling price through expert valuer reports. In arriving at their estimates, the valuers use their market knowledge and professional judgement and do not rely solely on historical transactional comparable. In applying their judgement, they take into consideration current market conditions and there is a greater degree of uncertainty than that which exists in a more active market.

Selling expenses are always considered and deducted to arrive at the net realisable value. Depending on the nature of the underlying asset and available market information, the determination of costs to sell may require professional judgement which involves a degree of uncertainty due to the relatively low level of market activity.

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

	2018	2017
	€	€
Salaries	85.135	75.503
Employer's contributions	15.833	15.182
Legal and other professional fees	20.623	10.520
Auditor's Remuneration	9.200	10.555
Travelling	3.177	3.630
Annual levy	350	350
Marketing expenses	20.175	5.438
Repair and maintenance expenses	4.452	5.845
Advertising and promotional expenses	3.848	4.348
Printing and stationery	610	475
Directors' fees	6.590	4.120
Bank charges	227	170
Depreciation and amortisation	5.361	5.435
Advisory services	39.500	-
Other expenses	3.557	4.868
	<u>218.638</u>	<u>146.439</u>

## Universal Golf Enterprises PLC

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 5. Income Tax

The income tax rate is 12.5% (2017: 12.5%).

The Company is a member of a group of companies for the purposes of Article 13 of the Income Tax Law. As at 31 December 2018 there were no tax losses surrendered to its parent company, Universal Life Insurance Public Company Limited.

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 as at 31 December 2018 amounting to €39,858 (2017: Nil).

Deferred tax liability arises on the difference between the tax base of the properties held by the Company and their carrying value. These properties have been transferred to the Company from its parent Company, Universal Life Insurance Public Company Ltd, as part of a tax approved group reorganisation. The parent company compensated the Company for any tax exposure arising up to the value at which these properties have been transferred to the Company. The increase in the deferred tax liability for the year amounts to €66,808 (2017: decrease of €129,795).

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

	2018 €	2017 €
Profit / (loss) before tax	<u>2,008,297</u>	<u>(2,549,617)</u>
Tax calculated at the applicable tax rates (12.5%)	251,037	(318,702)
Tax effect of:		
Expenses not deductible	2,264	432,531
Differences in depreciation rates	617	557
Tax losses surrendered to parent	-	15,409
Income not taxable	(278,367)	-
Losses brought forward	(15,409)	-
Losses carried forward	<u>39,858</u>	<u>-</u>
Tax charge for the year	<u>(66,808)</u>	<u>129,795</u>

#### 6. Earnings per share

	2018 €	2017 €
<b>Basic and diluted earnings / (loss) per share</b>		
Profit / (loss) for the year	<u>1,941,489</u>	<u>(2,419,821)</u>
Weighted average number of shares in circulation over the year	<u>34,328,000</u>	<u>34,328,000</u>
Basic and diluted earnings / (loss) per share	<u>0.057</u>	<u>(0.070)</u>

At 31 December 2018 there are no potential dilutive ordinary shares outstanding (31 December 2017: Nil).

## Universal Golf Enterprises PLC

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 7. Inventory

Inventory includes acquisition costs, construction costs, cost for direct labour, earthworks and other indirect costs to develop the asset.

	2018	2017
	€	€
At 1 January	39,420,250	41,408,228
Additions	698,069	71,538
Interest capitalised	325,896	343,661
Change in the net realizable value	2,226,935	(2,403,177)
	<u>42,671,150</u>	<u>39,420,250</u>

The estimated selling price of inventory was €44,917,000 at 31 December 2018 (2017: €41,495,000). To determine the estimated selling price the Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure estimated selling price, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

The Net Realisable Value of inventory was €42,671,150 as a result of the assumption that selling costs are expected to be 5% of the estimated price of inventory.

The Discounted Cash Flow (DCF) valuation model was applied by the Company for the inventory within the project's masterplan whereas the market comparable approach, adjusted for market and property specific conditions, was applied for inventory outside the project's masterplan.

The key inputs used for the estimated selling price of properties are presented in the tables below:

Type and area	Valuation method	Key unobservable input	2018	2017
Vasa Kellakiou-plots (within Masterplan)	DCF approach (2017: Market comparison approach)	Total area	1,969,594 m <sup>2</sup>	1,990,290 m <sup>2</sup>
		Estimated selling price per m <sup>2</sup>	22,26	20,50
Vasa Kellakiou-plots (outside Masterplan)	Market comparison approach	Total area (outside Masterplan)	107,671 m <sup>2</sup>	69,583 m <sup>2</sup>
		Estimated selling price per m <sup>2</sup>	10,00	10,00

During 2017 the Cyprus Land Registry Department, following a detailed assessment, made changes to the Title Deeds of the plots owned by the Company, leading to changes to the square meters per plot, compared to previous years, and an overall reduction in the total area of the real estate.

## Universal Golf Enterprises PLC

### NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

#### 8. Segmental information

No segmental information is provided because the Company operates exclusively in one segment (the real estate sector).

#### 9. Equipment and intangible assets

	Motor Vehicle	Computer Hardware	Office Equipment	Computer Software	Total
	€	€	€	€	€
<b>2018</b>					
<b>Cost</b>					
1 January	28.750	4.686	205	1.490	35.131
Additions	-	454	-	2.350	2.804
31 December	28.750	5.140	205	3.840	37.935
<b>Depreciation</b>					
1 January	21.563	3.498	40	490	25.591
Charge for the year	4.312	1.028	20	-	5.360
31 December	25.875	4.526	60	490	30.951
<b>Net book value</b>					
31 December	2.875	614	145	3.350	6.984
<b>2017</b>					
<b>Cost</b>					
1 January	28.750	3.200	205	490	32.645
Additions	-	1.486	-	1.000	2.486
31 December	28.750	4.686	205	1.490	35.131
<b>Depreciation</b>					
1 January	17.250	2.560	20	326	20.156
Charge for the year	4.313	938	20	164	5.435
31 December	21.563	3.498	40	490	25.591
<b>Net book value</b>					
31 December	7.187	1.1880	165	1.000	9.540

#### 10. Cash at bank

	2018 €	2017 €
Cash at bank	4.849	13.762

Cash at bank represents amounts in a current account that earned no interest during the year (2017: Nil).

## Universal Golf Enterprises PLC

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

#### 11. Share capital

	2018 €	2017 €
<b>Authorised</b> 50.000.000 shares of €0,01 each (2013: 50.000.000 shares of €0,01 each)	<u>500.000</u>	<u>500.000</u>
<b>Issued and fully paid</b> 34.328.000 shares of €0,01 each	<u>343.280</u>	<u>343.280</u>

#### 12. Trade and other payables

Trade and other payables relate to the acquisition of inventory and other inventory related costs, are payable on demand and bear no interest.

#### 13. Related party transactions

The Company is a 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:

##### 13.1 Amount due to parent company

The amount due to the parent company, amounting to €7,359,265, is payable on demand and beared interest at 6% for the first 6 months that was reduced to 4% from 1<sup>st</sup> July 2018. Interest expense of €325,896 on this amount is capitalised in inventory (Note 7).

##### 13.2 Emoluments of directors

	2018 €	2017 €
Non-executive directors	<u>6.590</u>	<u>4.120</u>

##### 13.2 Advisory services

The Company received advisory services amounting to €39,500 (2017: Nil) from G11 Holdings Ltd, a company related to Mr. George Georgiou, a member of the Board of Directors.

#### 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.

## **Universal Golf Enterprises PLC**

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### **NOTES TO THE FINANCIAL STATEMENTS**

**for the year ended 31 December 2018**

#### **14. Financial risk management (continued)**

##### **Liquidity Risk (continued)**

The parent company has 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. The Company has limited exposure to credit risk other than some limited amount of cash held with a local financial institution.

##### **Concentration Risk**

The Company is exposed to concentration risk since it has all its cash balances with one financial institution.

#### **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, return capital to shareholders and issue new shares.

#### **16. 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 market 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.