Universal Golf Enterprises PLC

Financial Statements for the year ended
31 December 2017

FINANCIAL STATEMENTS
for the year ended 31 December 2017

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GENERAL INFORMATION

Board of Directors
Andreas Georghiou, Chairman
Dr. Andreas C. Kritiotis (resigned on 2 February 2018)
George Georgiou (appointed on 25 September 2017)
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

MANAGEMENT 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 2017.

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 2017 was 2 persons (2016: 1).

Principal activities

The Company was incorporated with the sole purpose of the development and operation of the Limassol Hills Golf Resort Project. The Company has received the preliminary license for golf course and has already applied for a planning permission.

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 and volume 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 on the property held by the Company and relates to the general uncertainty prevailing in the Cyprus real estate market.

The high 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 extremely difficult.

Results

During the year, the Company incurred a loss after tax of €2.419.821 (2016: loss €880.178). The accumulated losses to date amount to €4.435.365 (2016: €2.015.544).

Dividend

The Board of Directors cannot declare a dividend for 2017 since the Company has no distributable profits as at 31 December 2017.

Share capital

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

Going Concern

Management has prepared the financial statements on a going concern basis, based on the fact that 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.

Board of Directors

The members of the Company's Board of Directors during the year ended 31 December 2017 and up to the date of this report are presented on page 3.

In accordance with the Company's Articles of Association, Messrs Andreas Georghiou and Pavlos Photiades retire by rotation and being eligible, offer themselves for re-election. Also Mr. George Georgiou who was appointed on the 25th of September 2017, 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.

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

23 April 2018

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Independent Auditor's Report

To the Members 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 2017, and the statements of 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 2017, 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 remained independent of the Company throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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.

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1. Valuation of inventory

The Company owns significant real estate, 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.

Reporting on 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 identified above 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.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors 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 the Board of Directors, 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.

Other Legal Requirements

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

- In our opinion, based on the work undertaken in the course of our audit, 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 light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.

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 Auditors

Nicosia

23 April 2018

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	Note	*2017*	*2016*
		€	€
Impairment of inventory	7	(2.403.177)	(794.134)
Operating expenses	4	(146.439)	(172.200)
Net loss for the year before tax		(2.549.616)	(966.334)
Deferred tax	5	129.795	86.156
Net loss for the year		(2.419.821)	(880.178)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(2.419.821)	(880.178)
Basic and diluted loss per share	6	(0,070)	(0,026)

Universal Golf Enterprises PLC

STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

	Note	2017	2016
		€	€
ASSETS			
Non – current assets			
Equipment	9	9.540	12.489
		9.540	12.489
Current assets			
Inventory	7	39.420.250	41.408.228
VAT receivable		58.293	52.882
Cash at bank and at hand	10	13.762	28.695
		39.492.305	41.489.805
Total assets		39.501.845	41.502.294
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	343.280	343.280
Share premium		37.197.991	37.197.991
Accumulated losses		(4.435.365)	(2.015.544)
Total equity		33.105.906	35.525.727
Non- current liabilities			
Deferred tax	5	219.130	348.925
Total non-current liabilities		219.130	348.925
Current liabilities			
Amount due to parent company	13.1	6.166.265	5.596.229
Trade and other payables	12	-	9.044
Accrued expenses		10.544	22.369
Total current liabilities		6.176.809	5.627.642
Total liabilities		6.395.939	5.976.567
Total equity and liabilities		39.501.845	41.502.294

On 23 April 2018 the Board of Directors of Universal Golf Enterprises PLC authorised the financial statements for issue.

A. Ghiur

Andreas Georghiou - Chairman

G. Georgiou

George Georgiou - Director

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	Share capital	*Share premium*	*Accumulated losses*	*Total*
	€	€	€	€
At 1 January 2016	343.280	37.197.991	(1.135.366)	36.405.905
Total comprehensive expense for the year	-	-	(880.178)	(880.178)
At 31 December 2016	343.280	37.197.991	(2.015.544)	35.525.727
Total comprehensive expense for the year	-	-	(2.419.821)	(2.419.821)
At 31 December 2017	343.280	37.197.991	(4.435.365)	33.105.906

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 arise, will be deemed to have been 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 defense is payable by the Company on behalf of shareholders.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2017

	Note	2017 €	2016 €
Cash flows from operating activities			
Loss before tax		(2.549.616)	(966.334)
Adjustments for:			
Depreciation		5.435	5.135
Impairment of inventory		2.403.177	794.134
		(141.004)	(167.065)
Movement in working capital			
Increase in inventory		(415.199)	(794.134)
Decrease in advances for the purchase of inventory		-	147.160
Increase in VAT receivable		(5.411)	(4.357)
(Decrease) /Increase in trade and other payables		(9.044)	8.433
(Decrease) /Increase in accrued expenses		(11.825)	13.843
Net cash flows used in operating activities		(582.483)	(796.120)
Cash flows from investing activities			
Payment for the purchase of equipment and intangible assets		(2.486)	(205)
Net cash flows for investing activities		(2.486)	(205)
Cash flows from financing activities			
Increase in amount due to parent company		570.036	795.639
Net cash flows from financing activities		570.036	795.639
Net decrease in cash and cash equivalents		(14.933)	(686)
Cash and cash equivalents at 1 January		28.695	29.381
Cash and cash equivalents at 31 December	10	13.762	28.695

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1. Corporate information

The financial statements of Universal Golf Enterprises PLC, the "Company" for the year ended 31 December 2017 were authorised for issue in accordance with the resolution of the Board of Directors on 23 April 2018.

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 2017 was 2 persons (2016: 1).

Universal Golf Enterprises PLC is included in the consolidated financial statements of Universal Life Insurance Public Company Ltd as a subsidiary. These consolidated financial statements are available at the Company's registered office, Universal Tower, 85 Digenis Akritas Avenue, 1070 Nicosia.

Principal activities

The Company was incorporated with the sole purpose of the development and operation of the Vasa Golf Project. The Company has received the preliminary license for golf course and has already applied for a planning permission.

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.

Going Concern

Management has prepared the financial statements on a going concern basis, based on the fact that 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.

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

Adoption of new and revised IFRSs

As from 1 January 2017, the Company adopted all the new and revised IFRS, which are relevant to its operations and effective for accounting periods beginning on 1 January 2017. The adoption of these Standards did not have a material effect on the financial statements of the Company.

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 are classified as loans and receivables and 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

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.

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

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.

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.

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

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%

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 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 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.

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.

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.

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 comparables. In applying their judgement they take into consideration current market conditions and the fact that 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 uncertainly 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

	2017	2016
	€	€
Salaries	75.503	70.421
Employer's contributions	15.182	14.496
Legal and other professional fees	10.520	16.586
Auditor's Remuneration	10.555	9.025
Travelling	3.630	759
Annual levy	350	350
Marketing expenses	5.438	1.850
Repair and maintenance expenses	5.845	4.806
Advertising and promotional expenses	4.348	40.882
Printing and stationery	475	333
Directors' fees	4.120	3.795
Bank charges	170	129
Depreciation and amortisation	5.435	5.135
Other expenses	4.868	3.633
	146.439	172.200

5. Income Tax

The income tax rate is 12,5% (2016: 12,5%).

The Company is a member of a group of companies for the purposes of Article 13 of the Income Tax Law. Tax losses amounting to €123.275 as at 31 December 2017 were 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 does not have any accumulated losses carried forward for tax purposes as at 31 December 2017 (2016: 22.853).

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

	2017 €	2016 €
Loss before tax	(2.549.617)	(966.334)
Tax calculated at the applicable tax rates (12,5%)	(318.702)	(120.792)
Tax effect of:		
Expenses not deductible	172.941	15.271
Differences in depreciation rates	557	557
Tax losses surrendered to parent	15.409	19.045
Income not taxable	-	(183)
Losses brought forward	-	(2.857)
Losses carried forward	-	2.857
Tax charge for the year	(129.795)	(86,156)

Deferred Tax

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.

6. Loss per share

	2017 €	*2016* €
Basic and diluted loss per share		
Loss for the year	(2.419.821)	(880.178)
Weighted average number of shares in circulation over the year	34.328.000	34.328.000
Basic and diluted loss per share	(0,070)	(0,026)

At 31 December 2017 there are no potential dilutive ordinary shares outstanding (31 December 2016: 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.

	2017	*2016*
	€	*€*
At 1 January	41.408.228	41.408.228
Additions	71.538	497.069
Interest capitalised	343.661	297.065
Impairment	(2.403.177)	(794.134)
	39.420.250	41.408.228

Additions in the current year represent land delimitation rights and land improvement costs. Additions in the prior year represent the acquisition of additional land part of which was the result of an exchange between the Company and the Government as requested by the Company on 21 November 2016.

The estimated selling price of inventory was €41.495.000 at 31 December 2017 (€43.587.608 at 31 December 2016). To determine 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 estimated selling price measurement as a whole:

The Net Realisable Value of inventory was €39.420.250 as a result of the assumption that selling costs are expected to be 5% of the estimated selling price of inventory.

The valuation technique mainly applied by the Company is the market comparable approach, adjusted for market and property specific conditions.

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

Type and area	**Valuation method**	**Key unobservable input**	**2017**	**2016**
Vasa Kellakiou-plots	Market comparison approach	Total area (within Masterplan)	1.990.290 m^2	2.059.160 m^2
		Estimated estimated selling price per m^2	20,50	21,00
	Market comparison approach	Total area (outside Masterplan)	69.583 m^2	48.063 m^2
		Estimated estimated selling price per m^2	10,00	10,00

7. Inventory *(continued)*

During 2017 the Cyprus Land Registry Department, following a detailed review, made changes to the Title Deeds of the plots owned by the Company, leading to changes to the square meters per plot, compared to 2016, and an overall reduction in the total area of the real estate as presented in the table above.

8. Segmental information

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

9. Equipment and intangible assets

	Motor Vehicle	Computer Hardware	Office Equipment	Computer Software	Total
	€	€	€	€	€
2017					
Cost					
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
Depreciation					
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
Net book value					
31 December	7.187	1.188	165	1.000	9.540

	Motor Vehicle	Computer Hardware	Office Equipment	Computer Software	Total
	€	€	€	€	€
2016					
Cost					
1 January	28.750	3.200	-	490	32.440
Additions	-	-	205	-	205
31 December	28.750	3.200	205	490	32.645
Depreciation					
1 January	12.938	1.920	-	163	15.021
Charge for the year	4.312	640	20	163	5.135
31 December	21.563	2.560	20	326	20.156
Net book value					
31 December	11.500	640	185	164	12.489

10. Cash at bank

	2017 €	2016 €
Cash at bank and at hand	13.762	28.695

Cash at bank and at hand represents amounts in a current account that earned no interest during the year (2016: Nil).

11. Share capital

	2017 €	2016 €
Authorised		
50.000.000 shares of €0,01 each (2016: 50.000.000 shares of €0,01 each)	500.000	500.000
Issued and fully paid		
34.328.000 shares of €0,01 each	343.280	343.280

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 is payable on demand and bears interest at 6% per year. Interest expense on this amount is capitalised in inventory.

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.

14. Financial risk management *(continued)*

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.

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 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.