

ZAKIONO ENTERPRISES LIMITED
ANNUAL REPORT AND FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

ZAKIONO ENTERPRISES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

CONTENTS	PAGE
Board of Directors and other officers	1
Management Report	2 - 3
Independent auditor's report	4 - 6
Statement of profit or loss and other comprehensive income	7
Statement of financial position	8
Statement of changes in equity	9
Cash flow statement	10
Notes to the financial statements	11 - 24

ZAKIONO ENTERPRISES LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Vassilios Hadjivassiliou Marios Alexandrou
Company Secretary:	Marios Alexandrou
Independent Auditors:	Deloitte Limited Certified Public Accountants and Registered Auditors 24 Spyrou Kyprianou Avenue 1075 Nicosia Cyprus
Registered office:	20 Spyrou Kyprianou Avenue CHAPO CENTRAL, 1st Floor 1075 Nicosia Cyprus
Bankers:	Bank of Cyprus Public Company Ltd UBS Switzerland AG
Registration number:	HE312919

ZAKIONO ENTERPRISES LIMITED

MANAGEMENT REPORT

The Board of Directors of Zakiono Enterprises Limited (the "Company") presents to the members its Management Report and audited financial statements of the Company for the year ended 31 December 2019.

Principal activities and nature of operations of the Company

The principal activity of the Company, which is unchanged from last year, is the holding of investments.

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

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 6 and 7 of the financial statements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and that such changes will affect the Company's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Results

The Company's results for the year are set out on page 7. The net profit for the year attributable to the shareholder of the Company amounted to €37.314.761 (2018: Net loss of €12.814.465). On 31 December 2019 the total assets of the Company were €230.077.837 (2018: €202.389.468) and the net assets of the Company were €101.613.542 (2018: €64.298.781).

Dividends

The Board of Directors does not recommend the payment of a dividend (2018: €nil).

Share capital

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

Board of Directors

The members of the Company's Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2019.

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

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


ZAKIONO ENTERPRISES LIMITED

MANAGEMENT REPORT

Independent Auditors

The independent auditors, Deloitte Limited, have expressed their willingness to continue in office and a resolution authorising the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,



Marios Alexandrou
Director

Nicosia, 29 January 2020

Independent Auditor's Report

To the Members of Zakiono Enterprises Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zakiono Enterprises Limited (the "Company"), which are presented in pages 7 to 24 and comprise the statement of financial position as at 31 December 2019, 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 2019, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 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.

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

Independent Auditor's Report (continued)

To the Members of Zakiono Enterprises Limited

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal Requirements

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

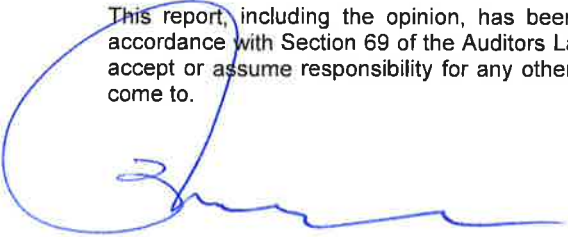
- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment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

Independent Auditor's Report (continued)

To the Members of Zakiono Enterprises Limited

Other Matter

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



Athos Chrysanthou
Certified Public Accountant and Registered Auditor
for and on behalf of
Deloitte Limited
Certified Public Accountants and Registered Auditors

Nicosia, 29 January 2020

ZAKIONO ENTERPRISES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 €	2018 €
Income	8	13.528.762	11.849.988
Net profit/(loss) from investing activities	9	26.766.888	(22.108.421)
Administration expenses		(126.809)	(80.960)
Operating profit/(loss)	10	40.168.841	(10.339.393)
Net finance costs	12	(2.854.080)	(2.475.072)
Profit/(loss) before tax		37.314.761	(12.814.465)
Tax	13	-	-
Profit/(loss) for the year		37.314.761	(12.814.465)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		37.314.761	(12.814.465)


The notes on pages 11 to 24 form an integral part of these financial statements.


ZAKIONO ENTERPRISES LIMITED

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2019

	Note	2019 €	2018 €
ASSETS			
Current assets			
Derivatives financial instruments	14	7.230.650	8.352.000
Financial assets at fair value through profit or loss	15	221.919.165	194.030.927
Refundable taxes	20	2.312	2.312
Cash and cash equivalents	16	925.710	4.229
		<u>230.077.837</u>	<u>202.389.468</u>
TOTAL ASSETS		<u>230.077.837</u>	<u>202.389.468</u>
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	17	1.000	1.000
Retained earnings		<u>101.612.542</u>	<u>64.297.781</u>
Total equity		<u>101.613.542</u>	<u>64.298.781</u>
Non-current liabilities			
Borrowings	18	<u>55.171.111</u>	<u>82.852.592</u>
		<u>55.171.111</u>	<u>82.852.592</u>
Current liabilities			
Payables	19	15.487	46.973
Borrowings	18	<u>73.277.697</u>	<u>55.191.122</u>
		<u>73.293.184</u>	<u>55.238.095</u>
Total liabilities		<u>128.464.295</u>	<u>138.090.687</u>
TOTAL EQUITY AND LIABILITIES		<u>230.077.837</u>	<u>202.389.468</u>

On 29 January 2020 the Board of Directors of Zakiono Enterprises Limited authorised these financial statements for issue.


Vassilios Hadjivassiliou
Director


Marios Alexandrou
Director

The notes on pages 11 to 24 form an integral part of these financial statements.

ZAKIONO ENTERPRISES LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital €	Retained earnings €	Total €
Balance at 1 January 2018	1.000	77.112.246	77.113.246
Comprehensive loss			
Net loss for the year	-	(12.814.465)	(12.814.465)
Balance at 31 December 2018/ 1 January 2019	1.000	64.297.781	64.298.781
Comprehensive income			
Net profit for the year	-	37.314.761	37.314.761
Balance at 31 December 2019	1.000	101.612.542	101.613.542

The notes on pages 11 to 24 form an integral part of these financial statements.

ZAKIONO ENTERPRISES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 €	2018 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		37.314.761	(12.814.465)
Adjustments for:			
Profit from the sale of financial assets at fair value through profit or loss	15	-	(470.000)
Change in fair value of derivative financial instruments	14	1.121.350	3.590.684
Fair value (gains)/losses on financial assets at fair value through profit or loss	15	(27.888.238)	18.987.737
Dividend income	8	(13.528.762)	(11.849.988)
Interest expense	12	2.324.444	2.230.556
		(656.445)	(325.476)
Changes in working capital:			
Decrease in financial assets at fair value through profit or loss		-	9.445.000
Decrease in payables		(31.486)	(52.585)
Cash (used in)/generated from operations		(687.931)	9.066.939
Dividends received		13.528.762	11.849.988
Net cash generated from operating activities		12.840.831	20.916.927
CASH FLOWS FROM INVESTING ACTIVITIES			
		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of borrowings	18	(14.575.235)	(19.500.000)
Proceeds from borrowings	18	5.000.340	815.533
Interest paid	18	(2.342.777)	(2.247.361)
Net cash used in financing activities		(11.917.672)	(20.931.828)
Net increase/(decrease) in cash and cash equivalents		923.159	(14.901)
Cash and cash equivalents at beginning of the year		2.551	17.452
Cash and cash equivalents at end of the year	16	925.710	2.551

The notes on pages 11 to 24 form an integral part of these financial statements.

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Incorporation and principal activities

Country of incorporation

Zakiono Enterprises Limited (the "Company") was incorporated in Cyprus on 4 October 2012 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 20 Spyrou Kyprianou Avenue, CHAPO CENTRAL, 1st Floor, 1075 Nicosia, Cyprus.

Principal activities

The principal activity of the Company, which is unchanged from last year, is the holding of investments.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets at fair value through profit or loss.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Company.

4. Significant accounting policies

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

Revenue

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

- **Income from investments in securities**

Dividends are received from the financial assets measured at fair value through profit or loss (FVTPL). Dividends are recognised when the right to receive payment is established.

Profits or losses from the sale of investments in securities represent the difference between the net proceeds and the carrying amount of the investments sold and is transferred to profit or loss.

The difference between the fair value of investments at fair value through profit or loss as at the year end and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises.

Finance costs

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

Foreign currency translation

(1) **Functional and presentation currency**

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

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. Significant accounting policies (continued)

Foreign currency translation (continued)

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Financial assets - Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. Significant accounting policies (continued)

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "net profit/(loss) from investing activities" in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs.

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

Expected losses are recognized and measured according to the general approach. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

For financial assets that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. Significant accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the Company determines low credit risk financial assets.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see above).

Payables

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

Derivatives financial instruments

Derivatives are initially recognised at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and any changes therein are generally recognised in profit or loss. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative.

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.

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. Significant accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Comparatives

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

5. New accounting pronouncements

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

6. Financial risk management

Financial risk factors

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

6.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and that such changes will affect the Company's income or the value of its holdings of financial instruments.

The Company's equity investments are publicly traded in the London Stock Exchange.

Sensitivity analysis

An increase in equity prices by 5% at 31 December 2019 would have increased profit or loss by €11.457.491 (2018: €10.119.146). A decrease of 5% would have decreased profit or loss by an equal amount.

6.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2019	2018
	€	€
Variable rate instruments		
Financial liabilities	<u>(55.000.000)</u>	<u>(55.000.000)</u>
	<u>(55.000.000)</u>	<u>(55.000.000)</u>

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. Financial risk management (continued)

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2019 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	2019	Profit or loss 2018
	€	€
Variable rate instruments	<u>(550.000)</u>	<u>(550.000)</u>
	<u>(550.000)</u>	<u>(550.000)</u>

6.3 Credit risk

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

6.3.1 Credit quality of financial assets

The table below shows an analysis of the Company's bank deposit by the credit rating of the bank in which they are held:

<u>Bank group based on credit ratings by Moody's</u>	<u>No of banks</u>	2019	2018
		€	€
B3	1	2.041	4.229
Aa2	1	<u>923.669</u>	-
		<u>925.710</u>	<u>4.229</u>

The Board of Directors assessed that no expected credit losses need to be recognised in the statement of profit or loss relating to the above bank balances as the impact is not material. This is based on the fact that cash at bank consists of a current account below the secured threshold of €100,000 and of a current account considered to have low credit risk. Management considers "low credit risk" financial institutions of an investment grade with at least one majority credit rating agency.

6.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2019	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€	€
Bank loans	55.171.111	57.597.222	556.110	1.680.556	55.360.556	-	-
Other payables	62	62	62	-	-	-	-
Loan from shareholder	<u>73.277.697</u>	<u>73.277.697</u>	-	<u>73.277.697</u>	-	-	-
	<u>128.448.870</u>	<u>130.874.981</u>	<u>556.172</u>	<u>74.958.253</u>	<u>55.360.556</u>	-	-

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. Financial risk management (continued)

6.4 Liquidity risk (continued)

31 December 2018	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€	€
Bank loans	55.189.444	55.360.556	55.360.556	-	-	-	-
Bank overdrafts	1.678	1.678	1.678	-	-	-	-
Other payables	12.771	12.771	12.771	-	-	-	-
Loan from shareholder	82.852.592	82.852.592	-	-	82.852.592	-	-
	<u>138.056.485</u>	<u>138.227.597</u>	<u>55.375.005</u>	<u>-</u>	<u>82.852.592</u>	<u>-</u>	<u>-</u>

6.5 Capital risk management

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

Fair value estimation

The fair value of financial instruments traded in active markets, such as publicly traded financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the reporting date.

Fair value measurements recognised in statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2019	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets				
Listed securities	221.919.165	-	-	221.919.165
Derivative financial instruments	-	-	7.230.650	7.230.650
Total	<u>221.919.165</u>	<u>-</u>	<u>7.230.650</u>	<u>229.149.815</u>
31 December 2018	Level 1	Level 2	Level 3	Total
	€	€	€	€
Financial assets				
Listed securities	194.030.927	-	-	194.030.927
Derivative financial instruments	-	-	8.352.000	8.352.000
Total	<u>194.030.927</u>	<u>-</u>	<u>8.352.000</u>	<u>202.382.927</u>

Transfers between levels

There have been no transfers between different levels during the year.

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. Financial risk management (continued)

Fair value estimation (continued)

Valuation techniques and significant assumptions used in determining fair value

Listed securities

The fair values of investments traded on active liquid markets are determined with reference to quoted market prices. These investments are included within Level 1 of the hierarchy. The securities are listed on the Alternative Investment Market of the London Stock Exchange.

Derivative financial instruments

The fair value of warrants is determined in accordance with the generally accepted Black-Scholes continuous pricing model. The valuation technique includes both observable and unobservable inputs. The Company classifies the fair value of these investments as Level 3.

7. Critical accounting estimates and judgments

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

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

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

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date.

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

8. Income

	2019	2018
	€	€
Dividend income (Note 21.1)	<u>13.528.762</u>	11.849.988
	<u>13.528.762</u>	<u>11.849.988</u>

9. Net profit/(loss) from investing activities

	2019	2018
	€	€
Profit from sale of financial assets at fair value through profit or loss (Note 15)	-	470.000
Fair value gains/(losses) on financial assets at fair value through profit or loss (Note 15)	<u>27.888.238</u>	(18.987.737)
Change in fair value of derivative financial instruments (Note 14)	<u>(1.121.350)</u>	<u>(3.590.684)</u>
	<u>26.766.888</u>	<u>(22.108.421)</u>

10. Operating profit/(loss)

	2019	2018
	€	€
Operating profit/(loss) is stated after charging the following items:		
Staff costs (Note 11)	<u>26.254</u>	25.824
Other professional fees	<u>75.520</u>	<u>33.370</u>

11. Staff costs (Note 10)

	2019	2018
	€	€
Salaries (Note 21.1)	<u>24.000</u>	24.000
Social security costs	<u>2.254</u>	1.824
	<u>26.254</u>	<u>25.824</u>

12. Finance costs

	2019	2018
	€	€
Net foreign exchange losses	202	15
Interest expense (Note 18)	<u>2.324.444</u>	2.230.556
Service access fees	<u>74.895</u>	184.621
Loan up front fee	<u>450.000</u>	-
Bank charges	<u>4.539</u>	59.880
Finance costs	<u>2.854.080</u>	<u>2.475.072</u>

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

13. Tax

The total charge for the year can be reconciled to the accounting profit as follows:

	2019	2018
	€	€
Profit/(loss) before tax	<u>37.314.761</u>	<u>(12.814.465)</u>
Tax calculated at the applicable tax rates	4.664.345	(1.601.808)
Tax effect of expenses not deductible for tax purposes	510.545	3.134.727
Tax effect of allowances and income not subject to tax	(5.177.125)	(1.539.999)
Tax effect of tax loss for the year	<u>2.235</u>	<u>7.080</u>
Tax charge	<u>-</u>	<u>-</u>

The Company is subject to corporation tax on taxable profits at the rate of 12,5%.

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

14. Derivative financial instruments

The change in fair value of derivative financial instruments consists of:

	2019	2018
	€	€
Financial assets		
Balance at 1 January	8.352.000	11.942.684
Change in fair value (Note 9)	<u>(1.121.350)</u>	<u>(3.590.684)</u>
Balance at 31 December	<u>7.230.650</u>	<u>8.352.000</u>

On 13 December 2017, the Company entered into a sale and purchase agreement with a related party for the purchase of 3.745.030 warrants for a consideration of €8.537.525. The warrants entitle the Company to subscribe for ordinary shares in GREIL at an exercise price of €5 per share if the market price of an ordinary share, on a weighted average basis over 60 consecutive days, exceeds a specific target price. The warrants mature in July 2023. The warrants are exercisable in three tranches as follows:

- 915.010 warrants vested at €7,50.
- 1.415.010 warrants vested at €10.
- 1.415.010 warrants vested at €12,50.

On 21 December 2017, the Company exercised the warrants of the first tranche with a cost of €2.287.525 and acquired from the London Stock Exchange 915.010 shares in GREIL for €5 per share for a total consideration of €4.575.050.

During the current and prior years, the Company did not exercise any warrants of the second and third tranches.

As at 31 December 2019 the warrants were valued at €7.230.650 (2018: €8.352.000) and fair value losses of €1.121.350 (2018: Losses of €3.590.684) were recognised in the statement of profit and loss (Note 9).

The fair value of the warrants at the close of business on 31 December is determined by using the Black-Scholes Continuous pricing model. They are classified as current assets because there is possibility to be exercised within twelve months from the reporting date.

In the cash flow statement, derivative financial instruments are presented within the section of operating activities as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in fair values of derivative financial instruments are recorded in operating income.

The exposure of the Company to market risk in relation to financial assets is reported in note 6 of the financial statements.

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. Financial assets at fair value through profit or loss

	2019 €	2018 €
Financial assets mandatorily measured at fair value through profit or loss in accordance with IFRS 9		
Shares in Globalworth Real Estates Investment Limited ("GREIL")	221.919.165	194.030.927
Derivative financial instruments (Note 14)	<u>7.230.650</u>	<u>8.352.000</u>
	<u>229.149.815</u>	<u>202.382.927</u>
	2019 €	2018 €
Balance at 1 January	194.030.927	221.993.664
Disposals	-	(8.975.000)
Change in fair value (Note 9)	<u>27.888.238</u>	<u>(18.987.737)</u>
Balance at 31 December	<u>221.919.165</u>	<u>194.030.927</u>

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices. Financial asset at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

During prior years, the Company acquired 24.734.670 shares in Globalworth Real Estates Investment Limited ("GREIL"), a company listed on the Alternative Investment Market of the London Stock Exchange.

On 30 November 2017, the Company entered into a share pledge and account control agreement with J.P. Morgan Securities PLC whereby the Company pledged its present and future shares in GREIL, the dividends and the related rights credited to the custodian securities account with UBS Switzerland A.G. as a security to the secured loan facility with J.P. Morgan Securities PLC referred to in Note 18.

On 24 January 2018, the Company disposed to the London Stock Exchange 1.000.000 shares in GREIL at a value of €8,98 per share, for a total consideration of €9.445.000 (€9,445 per share). A profit from sale of €470.000 was recognised in the statement of profit or loss (Note 9).

During the year, the Company received dividend income of €13.528.762 (2018: €11.849.988) (Notes 8 & 21.1).

As at 31 December 2019 the shares in GREIL were valued at €221.919.165 (2018: €194.030.927) and fair value gains of €27.888.238 (2018 losses of: €18.987.737) were recognised in the statement of profit or loss (Note 9).

In the cash flow statement, financial assets at fair value through profit or loss are presented within the section of operating activities as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

The exposure of the Company to market risk in relation to financial assets is reported in note 6 of the financial statements.

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

16. Cash and cash equivalents

Cash balances are analysed as follows:

	2019	2018
	€	€
Cash at bank	<u>925.710</u>	4.229
	<u>925.710</u>	<u>4.229</u>

Cash at bank comprises of current accounts denominated in Euros. On 30 November 2017, the Company entered into a share pledge and account control agreement with J.P. Morgan Securities Plc, whereby the Company pledged all credit balances attached to the Company's bank account held with UBS Switzerland A.G. as a security to the secured loan facility with J.P. Morgan Securities Plc referred to in Note 18.

For the purposes of the cash flow statement, the cash and cash equivalents include the following:

	2019	2018
	€	€
Bank balances	925.710	4.229
Bank overdrafts (Note 18)	-	(1.678)
	<u>925.710</u>	<u>2.551</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

17. Share capital

	2019	2019	2018	2018
	Number of shares	€	Number of shares	€
Authorised				
Ordinary shares of €1 each	<u>5.000</u>	<u>5.000</u>	5.000	5.000
Issued and fully paid				
Balance at 1 January	<u>1.000</u>	<u>1.000</u>	1.000	1.000
Balance at 31 December	<u>1.000</u>	<u>1.000</u>	1.000	1.000

18. Borrowings

	2019	2018
	€	€
Current borrowings		
Bank overdrafts (Note 16)	-	1.678
Bank loans	-	55.189.444
Loans from shareholder (Note 21.2)	<u>73.277.697</u>	-
	<u>73.277.697</u>	55.191.122
Non-current borrowings		
Bank loans	55.171.111	-
Loans from shareholder (Note 21.2)	-	82.852.592
Total	<u>128.448.808</u>	<u>138.043.714</u>

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

18. Borrowings (continued)

Maturity of non-current borrowings:

	2019	2018
	€	€
Between one to two years	55.171.111	-
Between two and five years	-	82.852.592
	<u>55.171.111</u>	<u>82.852.592</u>

Loan from shareholder

On 12 December 2016, the Company entered into a new loan agreement with its shareholder, which terminated the previous consolidated loan agreement, for a total amount of €104.991.824. The loan bears no interest, is unsecured and was repayable by 28 February 2018. On 1 August 2017, the loan facility was increased to €106.000.000 and on 13 December 2017 it was further increased to €130.000.000.

On 28 February 2018, the Company entered to an amendment agreement to extend the loan repayment date to 31 December 2018. On 4 October 2018, the Company entered into another amendment agreement to further extend the loan repayment date to 31 December 2020. During the year, the Company received €340 (2018: €815.533) additional funds from the shareholder and made repayments of €9.575.235 (2018: €19.500.000).

Bank loan

On 30 November 2017, the Company entered into a loan facility agreement with J.P. Morgan Securities Plc for €55.000.000 and a share pledge and account control agreement whereby the Company pledged its present and future shares in GREIL, dividends and the related rights credited to the custodian securities account with UBS Switzerland A.G. and all credit balances attached to the Company's bank account held with UBS Switzerland A.G. The loan bore interest of Euribor (if the rate is positive, otherwise zero) plus 5% per annum and it was repayable by 30 November 2018 with the option to extend for additional 12 months. As per the terms of the loan agreement, the interest rate was reduced to Euribor plus 4% per annum as of 12 December 2017. On 28 November 2018, the loan repayment date was extended to 28 February 2019. On 28 February 2019, the Company entered into an amendment and restatement agreement with J.P. Morgan Securities Plc to increase the loan facility to €60.000.000 and to extend the loan repayment date to 28 February 2021. On the same date, the shareholder entered into a deed of guarantee with the lender to secure the Company's liabilities under the amended and restated loan facility agreement. The share pledge and account control agreement was also amended for the increased loan facility amount and the extended repayment date. In March 2019, the Company received the additional amount of €5.000.000 which was repaid in August 2019. During the year, the Company recognised interest expense of €2.324.444 (2018: €2.230.556) and total interest of €2.342.777 (2018: €2.247.361) was settled.

19. Payables

	2019	2018
	€	€
Accruals	15.425	34.202
Other payables	62	12.771
	<u>15.487</u>	<u>46.973</u>

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

The exposure of the Company to liquidity risk in relation to other payables is presented in note 6 to the financial statements.

20. Refundable taxes

	2019	2018
	€	€
Corporation tax	(2.312)	(2.312)
	<u>(2.312)</u>	<u>(2.312)</u>

ZAKIONO ENTERPRISES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

21. Related party transactions

The Company is owned by a foreign individual who owns 100% of the Company's shares.

The following transactions were carried out with related parties:

21.1 Transactions with related parties

	2019	2018
	€	€
Directors' remuneration (Note 11)	24.000	24.000
Dividend income from GREIL (Note 8)	<u>13.528.762</u>	11.849.988
	<u>13.552.762</u>	<u>11.873.988</u>

The shareholder of the Company is a key management personnel of GREIL. The dividend was received in cash.

21.2 Loans from shareholder (Note 18)

	2019	2018
	€	€
Foreign individual	<u>73.277.697</u>	82.852.592
	<u>73.277.697</u>	<u>82.852.592</u>

22. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019.

23. Commitments

The Company had no capital or other commitments as at 31 December 2019.

24. Events after the reporting period

On 20 January 2020, the loan facility from the shareholder increased by €55.230.000 and on 22 January 2020 it further increased by €190.000. As at 22 January 2020 the total loan facility amounted to €128.697.697.

On 23 January 2020, the Company fully settled the secured loan obligation with J.P. Morgan Securities Plc. On the same date, the share pledge and account control agreement with UBS Switzerland A.G. was terminated and the respective securities were released.

On 24 January 2020, the deed of guarantee with the Company's shareholder was also terminated and the respective guarantee was released.

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

Independent auditor's report on pages 4 to 6