# TERNA OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2019

# TERNA OVERSEAS LIMITED

## REPORT AND FINANCIAL STATEMENTS
31 December 2019

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# BOARD OF DIRECTORS AND OTHER OFFICERS

| | |
|---|---|
| **Board of Directors:** | Alexandros Hadjinicolaou<br>Konstantinos Iliadis<br>Dimitrios Antonakos<br>Athanasios Papadopoulos<br>Georgios Perdikaris |
| **Company Secretary:** | Alexandros Hadjinicolaou |
| **Independent Auditors:** | EPW Europe Private Wealth Ltd<br>Certified Puplic Accountants and Registered Auditors<br>16 Ekaterinis Kornaro Street<br>Third Floor, 2015, Strovolos<br>Nicosia, Cyprus |
| **Legal Advisers:** | Stelios Panayides LLC<br>Advocates & Legal Consultants<br>Panlaw House, 31 Gladstonos street<br>Nicosia, Cyprus |
| **Registered office:** | Ifigenias 1<br>AMARAL 30, Floor 1<br>Flat 103, Agios Dometios<br>1055 Nicosia<br>Cyprus |
| **Bankers:** | Bank of Cyprus Public Company Ltd<br>National Bank of Greece (Cyprus) Ltd<br>Mashreq Bank (Dubai)<br>Eurobank Cyprus Ltd<br>Alpha Bank Cyprus Ltd<br>Piraeus Bank (Greece) |
| **Registration number:** | HE177105 |

# MANAGEMENT REPORT

The Board of Directors presents its 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 activities of the Company, which are unchanged from last year, are the provision of consultancy services in the construction field, the execution and supervision of public and private technical projects and land development including any interest earning activities.

**Review of current position, future developments and performance of the Company's business**
The net loss for the year attributable to the shareholders of the Company amounted to €7.281.160 (2018: €200.667). On 31 December 2019 the total assets of the Company were €98.405.755 (2018: €86.482.298) and the net assets of the Company were €62.182.241 (2018: €53.260.681). The financial position, development and performance of the Company as presented in these financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company losses.

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

**Results**
The Company's results for the year are set out on page 7.

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

**Share capital**
**Authorised capital**

On 30 January 2019, the authorised share capital of the Company was increased from 409.730 ordinary shares of €10 each to 422.755 ordinary shares of €10 each.

On 28 June 2019, the authorised share capital of the Company was increased from 422.755 ordinary shares of €10 each to 461.150 ordinary shares of €10 each.

On 9 December 2019, the authorised share capital of the Company was increased from 461.150 ordinary shares of €10 each each to 485.858 ordinary shares of €10 each.
**Issued capital**
On 30 January 2019, the Company issued 13.025 additional ordinary shares of nominal value €10 each (additional share capital €130.250) at a premium of €230 each (additional share premium €2.995.7550).

On 14 June 2019, the Company issued 38.395 additional ordinary shares of nominal value €10 each (additional share capital €383.950) at a premium of €230 each (additional share premium €8.830.850).

On 9 December 2019, the Company issued 24.708 additional ordinary shares of nominal value €10 each (additional share capital €247.080) at a premium of €230 each (additional share premium €5.682.840).

**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.

**Operating Environment of the Company**

As part of a series of measures imposed by the Republic of Cyprus to protect public health and manage the effects of the coronavirus epidemic, the Company was forced to temporarily suspend the construction work on 24 March 2020 until 4 May 2020. The Board of Directors considers that the effect on operating environment, the activities and the financial viability of the Company might not have significant implications.

**Events after the reporting period**

Any significant events that occurred after the end of the reporting period are described in note 31 to the financial statements.

**Independent Auditors**

The Independent Auditors, EPW Europe Private Wealth Ltd, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Alexandros Hadjinicolaou
Director

Nicosia, 28 May 2020

# Independent Auditor's Report

## To the Members of Terna Overseas Limited

### Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of parent company Terna Overseas Limited (the "Company"), which are presented in pages 7 to 38 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 parent company Terna Overseas Limited 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 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. As described in the Basis for Qualified Opinion section above, we have been unable to obtain the audited financial statements of subsidiary company Terna Bahrain Holding W.L.L. as at 31 December 2019 for the purpose of carrying an impairment test on the carrying amount of the investment of €14.063.279. Accordingly, we were unable to conclude whether or not the other information is materially misstated with respect to this matter.

### Responsibilities of the Board of Directors for the Financial Statements

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

# Independent Auditor's Report (continued)

## To the Members of Terna Overseas Limited

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

**Report on Other Legal Requirements**

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

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

# Independent Auditor's Report (continued)

## To the Members of Terna Overseas 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.

Apostolos Katsaras
Certified Public Accountant and Registered Auditor
for and on behalf of
**EPW Europe Private Wealth Ltd**
**Certified Puplic Accountants and Registered Auditors**

Nicosia, 28 May 2020

# TERNA OVERSEAS LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
31 December 2019

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | **€** | € |
| **Revenue** | 8 | **59.383.123** | 36.775.261 |
| Cost of sales | 9 | **(57.933.480)** | (36.292.101) |
| **Gross profit** | | **1.449.643** | 483.160 |
| Other operating income | 10 | **1.760.864** | 807.000 |
| Administration expenses | | **(2.363.870)** | (1.126.339) |
| Other expenses | 11 | **(7.869.078)** | (362.889) |
| **Operating loss** | | **(7.022.441)** | (199.068) |
| Finance income | 14 | **134.736** | 189.384 |
| Finance costs | 14 | **(228.195)** | (188.904) |
| **Loss before tax** | | **(7.115.900)** | (198.588) |
| Tax | | **(165.260)** | (2.079) |
| **Net loss for the year** | | **(7.281.160)** | (200.667) |
| **Other comprehensive income** | | **-** | - |
| **Total comprehensive income for the year** | | **(7.281.160)** | (200.667) |

# STATEMENT OF FINANCIAL POSITION
31 December 2019

| | Note | **2019 €** | 2018 € |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 16 | **2.117.524** | 2.120.378 |
| Right-of-use assets | 17 | **556.847** | - |
| Investments in subsidiaries | 18 | **28.864.551** | 27.347.715 |
| Investments in associates | 19 | **4.042.707** | 4.962.265 |
| Contract assets | 8 | **6.386.500** | - |
| Deferred tax assets | | **34.781** | - |
| | | **42.002.910** | 34.430.358 |
| **Current assets** | | | |
| Trade and other receivables | 20 | **34.281.803** | 26.133.914 |
| Contract assets | 8 | **17.693.564** | 19.770.766 |
| Cash and cash equivalents | 21 | **4.427.478** | 6.147.260 |
| | | **56.402.845** | 52.051.940 |
| **Total assets** | | **98.405.755** | 86.482.298 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 22 | **4.858.580** | 4.097.300 |
| Share premium | 22 | **111.517.340** | 94.007.900 |
| Accumulated losses | | **(54.193.679)** | (46.912.519) |
| | | **62.182.241** | 51.192.681 |
| Advances from shareholders | | **-** | 2.068.000 |
| **Total equity** | | **62.182.241** | 53.260.681 |
| **Non-current liabilities** | | | |
| Trade and other payables | 24 | **5.096.234** | 5.120.420 |
| | | **5.096.234** | 5.120.420 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | **2.602.407** | 5.474.140 |
| Borrowings | 23 | **655.858** | 734.740 |
| Lease liabilities | | **566.176** | - |
| Current tax liabilities | 25 | **415.438** | 369.392 |
| Contract liabilities | 8 | **26.887.401** | 21.522.925 |
| | | **31.127.280** | 28.101.197 |
| **Total liabilities** | | **36.223.514** | 33.221.617 |
| **Total equity and liabilities** | | **98.405.755** | 86.482.298 |

On 28 May 2020 the Board of Directors of Terna Overseas Limited authorised these financial statements for issue.

| | |
|---|---|
| ................................... | ................................... |
| Alexandros Hadjinicolaou | Konstantinos Iliadis |
| Director | Director |

# TERNA OVERSEAS LIMITED

## STATEMENT OF CHANGES IN EQUITY
31 December 2019

| | Note | Share capital € | Share premium € | Advances from shareholders € | Accumulated losses € | Total € |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | | **4.036.050** | **92.599.150** | **-** | **(46.711.852)** | **49.923.348** |
| **Comprehensive income** | | | | | | |
| Net loss for the year | | - | - | - | (200.667) | (200.667) |
| Total comprehensive income for the year | | - | - | - | (200.667) | (200.667) |
| **Transactions with owners** | | | | | | |
| Issue of share capital | 22 | 61.250 | 1.408.750 | - | - | 1.470.000 |
| Proceeds for the year | | - | - | 2.068.000 | - | 2.068.000 |
| Total transactions with owners | | 61.250 | 1.408.750 | 2.068.000 | - | 3.538.000 |
| **Balance at 31 December 2018/ 1 January 2019** | | **4.097.300** | **94.007.900** | **2.068.000** | **(46.912.519)** | **53.260.681** |
| **Comprehensive income** | | | | | | |
| Net loss for the year | | - | - | - | (7.281.160) | (7.281.160) |
| Total comprehensive income for the year | | - | - | - | (7.281.160) | (7.281.160) |
| **Transactions with owners** | | | | | | |
| Issue of share capital | 22 | 761.280 | 17.509.440 | - | - | 18.270.720 |
| Converted to share capital | | - | - | (2.068.000) | - | (2.068.000) |
| Total transactions with owners | | 761.280 | 17.509.440 | (2.068.000) | - | 16.202.720 |
| **Balance at 31 December 2019** | | **4.858.580** | **111.517.340** | **-** | **(54.193.679)** | **62.182.241** |

Share premium is not available for distribution.

The advance from shareholders is made available to the Board of Directors for future increases of the share capital of the Company and are not refundable.

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

# CASH FLOW STATEMENT
31 December 2019

| | Note | 2019 € | 2018 € |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Loss before tax** | | **(7.115.900)** | (198.588) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 16 | **776.939** | 296.544 |
| Unrealised exchange profit | | **(17.674)** | (47.934) |
| Loss from the sale of investments in associated undertakings | | **-** | 320.714 |
| Impairment charge - investments in subsidiaries | 18 | **7.800.000** | 30.836 |
| (Reversal of impairment)/impairment charge - loans to related parties | 26 | **(35.601)** | 10.594 |
| Impairment charge - trade receivables | 20 | **68.787** | 49 |
| Interest income | 14 | **(2.486)** | (9.235) |
| Interest expense | 14 | **58.831** | 40.000 |
| | | **1.532.896** | 442.980 |
| **Changes in working capital:** | | | |
| Increase in trade and other receivables | | **(8.216.676)** | (5.989.247) |
| Increase in contract assets | | **(4.309.298)** | (8.943.335) |
| Increase in bank deposits | | **(449.210)** | (3.747) |
| (Decrease)/increase in trade and other payables | | **(2.895.919)** | 5.497.552 |
| Increase in contract liabilities | | **5.364.476** | 9.007.225 |
| **Cash (used in)/generated from operations** | | **(8.973.731)** | 11.428 |
| Tax (paid)/refunded | | **(153.995)** | 72.454 |
| **Net cash (used in)/generated from operating activities** | | **(9.127.726)** | 83.882 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Payment for purchase of property, plant and equipment | 16 | **(493.197)** | (2.416.922) |
| Payment for purchase of right-of-use assets | 17 | **(837.735)** | - |
| Payment for purchase of investments in subsidiaries | 18 | **(9.316.836)** | - |
| Return of capital from subsidiary | | **919.558** | 1.007.254 |
| Expected credit loss movement | | **35.601** | (10.594) |
| Proceeds from sale of investments in associated undertakings | | **-** | 1.800.000 |
| Interest received | | **2.486** | 9.235 |
| **Net cash (used in)/generated from investing activities** | | **(9.690.123)** | 388.973 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of share capital | | **18.270.720** | 1.470.000 |
| Advances from shareholders | | **(2.068.000)** | 2.068.000 |
| Repayments of borrowings | | **(78.882)** | - |
| Proceeds from borrowings | | **-** | 40.000 |
| Proceeds from leases liabilities | | **566.176** | - |
| Unrealised exchange profit | | **17.674** | 47.934 |
| Interest paid | | **(58.831)** | (40.000) |
| **Net cash generated from financing activities** | | **16.648.857** | 3.585.934 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(2.168.992)** | 4.058.789 |
| Cash and cash equivalents at beginning of the year | | **5.543.513** | 1.484.724 |
| **Cash and cash equivalents at end of the year** | 21 | **3.374.521** | 5.543.513 |

The notes on pages 11 to 38 form an integral part of these financial statements.

## 1. Incorporation and principal activities

### Country of incorporation

The Company Terna Overseas Limited (the "Company") was incorporated in Cyprus on 20 May 2006 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Ifigenias 1, AMARAL 30, Floor 1, Flat 103, Agios Dometios, 1055 Nicosia, Cyprus.

### Principal activities

The principal activities of the Company, which are unchanged from last year, are the provision of consultancy services in the construction field, the execution and supervision of public and private technical projects and land development including any interest earning activities.

### Operating Environment of the Company

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

## 2. Basis of preparation

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

These financial statements are the separate financial statements. The Company has not prepared consolidated financial statements as the exemption from consolidation in paragraph 10 of IAS27, "Consolidated and Separate Financial Statements", has been used. The Company's parent TERNA S.A., a Company incorporated in Greece produced consolidated financial statements available for public use that comply with International Financial Reporting Standards as issued by the IASB.

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.

## 3. Adoption of new or revised standards and interpretations

As from 1 January 2019, the Company adopted all the following IFRSs and International Accounting Standards (IAS), which are relevant to its operations. The adoption of these Standards did not have a material effect on the financial statements.

## 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.

### Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

**4. Significant accounting policies (continued)**

**Subsidiary companies (continued)**

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

**Investments in associates**

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When an entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

**Revenue**

**Recognition and measurement**

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

### 4. Significant accounting policies (continued)

#### Revenue recognition (continued)

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices ) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

#### Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

- **Rendering of services**

  Revenue from rendering of services is recognised over time while the Company satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

- **Commission income**

  Commission income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

- **Construction contracts**

  Revenue is recognised over time based on the cost-to-cost method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.

#### Employee benefits

The Company and its employees contribute to the Government Social Insurance Fund based on employees' salaries. The Company's contributions are expensed as incurred and are included in staff costs. The Company has no legal or constructive obligations to pay further contributions if the scheme does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

**4. Significant accounting policies (continued)**

**Finance income**

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

**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.

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

**Tax**

Income tax expense represents the sum of the tax currently payable and deferred 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.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred 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 tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

**Dividends**

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

**Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates used are as follows:

| | % |
|---|---|
| Plant and machinery | 20-33,3 |
| Motor vehicles | 20 |
| Furniture, fixtures and office equipment | 20-33,3 |

**4. Significant accounting policies (continued)**

**Property, plant and equipment (continued)**

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**4. Significant accounting policies (continued)**

**Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

**The Company as lessor**

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16. However, when the Company was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

**4. Significant accounting policies (continued)**

**Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each 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 (either through OCI or 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.

**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.

**4. Significant accounting policies (continued)**

**Financial assets - Measurement (continued)**

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

**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. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset 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.

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"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. 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. The Company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

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.

**4. Significant accounting policies (continued)**

**Financial assets -Reclassification**

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

**Financial assets - write-off**

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

**Financial assets - modification**

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

**Cash and cash equivalents**

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand. 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 assets at amortised cost**

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

**4. Significant accounting policies (continued)**

**Borrowings**

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

**Trade payables**

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

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

**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.

**Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9.The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 6, Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

**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.

**4. Significant accounting policies (continued)**

**Non-current liabilities**

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

**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.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

**(i) Adopted by the European Union**

**New standards**
- *IAS 1 (revised): "Presentation of Financial Statements: A Revised Presentation" (effective for annual periods beginning on or after 1 January 2009).*
- *IAS 23 (revised): "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009).*
- *IAS 24 (revised): "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011).*
- *IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).*
- *IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014).*
- *IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).*

**Amendments**
*IFRS Interpretations Committee*
- *Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).*
- *IAS 19 (Amendments) "Defined Benefit Plans: Employee Contributions" (effective for annual periods beginning on or after 1 February 2015).*
- *IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014).*
- *IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).*
- *Amendment to IAS 36 "Recoverable Amount - Disclosures for Non-Financial Assets" (effective for annual periods beginning on or after 1 January 2014).*
- *Annual improvements to IFRSs 2008 - Amendments to IFRS 5 "Non-current assets held for sale and discontinued operations (effective for annual periods beginning on or after 1 July 2009)."*
- *Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016).*
- *Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).*

**(ii) Not adopted by the European Union**

**New standards**
- *IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).*

**5. New accounting pronouncements (continued)**

**(ii) Not adopted by the European Union (continued)**

**Amendments**
- *Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).*
- *Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)*
- *Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020)*
- *IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(effective date postponed indefinitely).*

The Board of Directors expects that the adoption of these standards or interpretations 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 interest rate risk, credit risk, liquidity risk, currency 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 Interest rate risk**
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. 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 |
|---|---|---|
| | **€** | € |
| **Fixed rate instruments** | | |
| Financial liabilities | **(655.858)** | (734.740) |
| | **(655.858)** | (734.740) |

**6.2 Credit risk**
Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

*(i) Risk management*

Credit risk is managed on a group basis.

For banks and financial institutions, only independently rated parties with a minimum rating of 'C' are accepted. If customers are independently rated, these ratings are used.

Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

**6. Financial risk management (continued)**

**6.2 Credit risk (continued)**

*(ii) Impairment of financial assets*

The Company has the following types of financial assets that are subject to the expected credit loss model:
- trade receivables
- contract assets
- financial assets at amortised cost
- cash and cash equivalents

**Trade receivables and contract assets**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including those with a significant financing component, lease contracts and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Company defines default as a situation when the debtor is more than 90 days past due on its contractual payments. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

*Previous accounting policy for impairment of trade receivables*

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. A provision for impairment of trade receivables was established when there was objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or delinquency in payments (more than 120 days overdue) were considered indicators that the trade receivable was impaired. The amount of the provision was the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate.

*(iii) Net impairment losses on financial and contract assets recognised in profit or loss*

| **Impairment losses** | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| Impairment charge - investments in subsidiaries | **(7.800.000)** | (30.836) |
| Impairment charge - receivable from related parties | **-** | (10.594) |
| Impairment charge - trade receivables | **(68.826)** | (49) |
| Reversal of impairment - loans to related parties | **35.601** | - |
| Reversal of impairment - trade receivables | **39** | - |
| **Net impairment (loss) on financial and contract assets** | **(7.833.186)** | (41.479) |

**6. Financial risk management (continued)**

**6.2 Credit risk (continued)**

*(iv) Credit related commitments*

The primary purpose of these instruments is to ensure that funds are available to a borrower as required. Guarantees which represent irrevocable assurances that the Company will make payments in the event that a counterparty cannot meet its obligations to third parties, carry the same credit risk as loans receivable. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. With respect to credit risk on commitments to extend credit, the Company is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. The Company monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

**6.3 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 | On demand | 3-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € |
| Lease liabilities | 566.176 | 566.176 | - | 566.176 | - | - | - |
| Trade and other payables | 2.452.458 | 17.955.748 | - | 17.955.748 | - | - | - |
| Payables to related parties | 5.096.234 | 5.096.134 | 5.096.134 | - | - | - | - |
| Loans from associates | 655.858 | 655.858 | - | 655.858 | - | - | - |
| | **8.770.726** | **24.273.916** | **5.096.134** | **19.177.782** | **-** | **-** | **-** |

| 31 December 2018 | Carrying amounts | Contractual cash flows | On demand | 3-12 months | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|---|---|
| | € | € | € | € | € | € | € |
| Trade and other payables | 5.206.523 | 5.206.523 | - | 5.206.523 | - | - | - |
| Payables to related parties | 5.119.520 | 5.120.420 | 5.120.420 | - | - | - | - |
| Loans from associates | 734.740 | 734.740 | - | 734.740 | - | - | - |
| | 11.060.783 | 11.061.683 | 5.120.420 | 5.941.263 | - | - | - |

**6.4 Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Euro. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

**6. Financial risk management (continued)**

**6.5 Capital risk management**
Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings. Total capital is calculated as ''equity'' as shown in the statement of financial position plus net debt.

The Company's capital is analysed as follows:

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| Total borrowings (Note 23) | **655.858** | 734.740 |
| Less: Cash and cash equivalents (Note 21) | **(4.427.478)** | (6.147.260) |
| Net debt | **(3.771.620)** | (5.412.520) |
| Total equity | **62.182.241** | 53.260.681 |
| **Total capital** | **58.410.621** | 47.848.161 |
| **Gearing ratio** | **(6,46)%** | (11,31)% |

The increase in the gearing ratio during the year ended 31 December 2019 resulted primarily from the losses incurred by the Company

**6.6 Fair value estimation**

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

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.

**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.

**7. Critical accounting estimates and judgments (continued)**

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

- **Work in progress**

  Work in progress is stated at cost plus any attributable profit less any foreseeable losses and less amounts received or receivable as progress payments. The cost of work in progress includes materials, labour and direct expenses plus attributable overheads based on a normal level of activity. 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.

- **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.

- **Impairment of investments in subsidiaries/associates**

  The Company periodically evaluates the recoverability of investments in subsidiaries/associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries/associates may be impaired, the estimated future discounted cash flows associated with these subsidiaries/associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **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.

- **Impairment of non-financial assets**

  The impairment test is performed using the discounted cash flows expected to be generated through the use of non-financial assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

### 8. Revenue

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| Rendering of services | **5.007.680** | 2.847.140 |
| Contract income | **54.375.443** | 33.928.121 |
| | **59.383.123** | 36.775.261 |

#### (a) Assets and liabilities related to contracts with customers

The Company has recognised the following assets and liabilities related to contracts with customers:

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| **Contract assets** | | |
| Current contract assets | | |
| Contract assets | **12.307.760** | 10.170.213 |
| Contract retentions | **3.368.118** | 4.771.133 |
| Contract prepayments | **2.017.686** | 4.829.420 |
| **Total current contract assets** | **17.693.564** | 19.770.766 |
| Non-current | | |
| Contract retentions | **6.386.500** | - |
| **Total non-current contract assets** | **6.386.500** | - |
| **Total contract assets** | **24.080.064** | 19.770.766 |
| **Other assets recognised for costs incurred to fulfil a contract** | | |
| **Total other assets recognised for costs incurred to fulfil a contract** | **24.080.064** | 19.770.766 |

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| **Contract liabilities** | | |
| Current | | |
| Contract liabilities | **4.490.353** | 4.324.739 |
| Subcontractors retentions | **6.893.758** | 4.140.404 |
| Contract advances | **15.503.290** | 13.057.782 |
| **Total contract liabilities** | **26.887.401** | 21.522.925 |

*(i) Unsatisfied long-term contracts with customers*

All other contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts with customers is not disclosed.

### 9. Cost of sales

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Staff costs | **885.139** | 330.246 |
| Subcontracted work | **-** | 9 |
| Services received | **3.119.850** | 2.211.290 |
| Commissions payable | **-** | 9.692 |
| Transportation expenses | **48.262** | 40.871 |
| Charges for professional fees and services | **2.550** | - |
| Contract expenses | **53.877.679** | 33.699.993 |
| | **57.933.480** | 36.292.101 |

### 10. Other operating income

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Income from equipment rental | **1.097.946** | 475.337 |
| Income from insurance indemnities | **326.349** | - |
| Waiver of accrued interest | **105.983** | - |
| Reversal of impairment - loans to related parties | **35.601** | - |
| Reversal of impairment - trade receivables | **39** | - |
| Sundry operating income | **194.946** | 331.663 |
| | **1.760.864** | 807.000 |

### 11. Other expenses

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Capital issue costs | **252** | 696 |
| Loss from sale of investments in associates | **-** | 320.714 |
| Impairment charge - investments in subsidiaries | **7.800.000** | 30.836 |
| Impairment charge - loans to related parties | **-** | 10.594 |
| Impairment charge - trade receivables | **68.826** | 49 |
| | **7.869.078** | 362.889 |

### 12. Expenses by nature

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Staff costs (Note 13) | **1.668.928** | 574.746 |
| Depreciation and amortisation expense | **45.597** | - |
| Auditors' remuneration for the statutory audit of annual accounts | **7.500** | 6.400 |
| Impairment charge of right-of-use assets (Note 17) | **-** | 2.250.000 |
| Other expenses | **66.444.403** | 34.950.183 |
| **Total expenses** | **68.166.428** | 37.781.329 |

### 13. Staff costs

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| Salaries | **1.594.037** | 556.879 |
| Social security costs | **62.111** | 14.006 |
| Social cohesion fund | **12.780** | 3.861 |
| | **1.668.928** | 574.746 |

Salaries consist of €194.415 salaries to Cypriot employees included in the administration expenses, €1.470.629 salaries to Cypriot employees included in construction cost and €362.464 salaries to foreign employees.

### 14. Finance income/(costs)

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| Interest income | **2.486** | 9.235 |
| Exchange profit | **132.250** | 180.149 |
| **Finance income** | **134.736** | 189.384 |
| Net foreign exchange losses | **(110.661)** | (133.074) |
| Interest expense | **(58.831)** | (40.000) |
| Sundry finance expenses | **(58.703)** | (15.830) |
| **Finance costs** | **(228.195)** | (188.904) |
| **Net finance (costs)/income** | **(93.459)** | 480 |

Interest income is analysed as follows:

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| Bank deposits | **2.486** | 9.235 |
| | **2.486** | 9.235 |

### 15. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

| **31 December 2019** | Financial assets at amortised cost | Total |
|---|---|---|
| | € | € |
| **Assets as per statement of financial position:** | | |
| Trade and other receivables | 32.712.212 | 32.712.212 |
| Financial assets | 32.907.258 | 32.907.258 |
| Cash and cash equivalents | 4.427.478 | 4.427.478 |
| **Total** | **70.046.948** | **70.046.948** |

### 15. Financial instruments by category (continued)

| | Borrowings and other financial liabilities | Total |
|---|---|---|
| | **€** | **€** |
| **Liabilities as per statement of financial position:** | | |
| Borrowings | 655.858 | 655.858 |
| Trade and other payables | 7.548.692 | 7.548.692 |
| **Total** | **8.204.550** | **8.204.550** |

| 31 December 2018 | Financial assets at amortised cost | Total |
|---|---|---|
| | € | € |
| Assets as per statement of financial position: | | |
| Trade and other receivables | 38.853.243 | 38.853.243 |
| Financial assets | 32.309.980 | 32.309.980 |
| Cash and cash equivalents | 6.147.260 | 6.147.260 |
| Total | 77.310.483 | 77.310.483 |

| | Borrowings and other financial liabilities | Total |
|---|---|---|
| | € | € |
| **Liabilities as per statement of financial position:** | | |
| Borrowings | 734.740 | 734.740 |
| Trade and other payables | 10.326.943 | 10.326.943 |
| Total | 11.061.683 | 11.061.683 |

### 16. Property, plant and equipment

| | **Plant and machinery** | **Motor vehicles** | **Furniture, fixtures and office equipment** | **Total** |
|---|---|---|---|---|
| | **€** | **€** | **€** | **€** |
| **Cost** | | | | |
| Additions | 2.186.376 | 105.203 | 125.343 | 2.416.922 |
| **Balance at 31 December 2018/ 1 January 2019** | **2.186.376** | **105.203** | **125.343** | **2.416.922** |
| Additions | 443.270 | 29.955 | 19.972 | 493.197 |
| **Balance at 31 December 2019** | **2.629.646** | **135.158** | **145.315** | **2.910.119** |
| **Depreciation** | | | | |
| Charge for the year | 197.299 | 79.503 | 19.742 | 296.544 |
| **Balance at 31 December 2018/ 1 January 2019** | **197.299** | **79.503** | **19.742** | **296.544** |
| Charge for the year | 460.586 | 4.655 | 30.810 | 496.051 |
| **Balance at 31 December 2019** | **657.885** | **84.158** | **50.552** | **792.595** |
| **Net book amount** | | | | |
| **Balance at 31 December 2019** | **1.971.761** | **51.000** | **94.763** | **2.117.524** |
| **Balance at 31 December 2018** | **1.989.077** | **25.700** | **105.601** | **2.120.378** |

### 17. Right-of-use assets

| | Land and buildings | Plant and machinery | Motor vehicles | **Total** |
|---|---|---|---|---|
| | € | € | € | **€** |
| **Cost** | | | | |
| Additions | 410.528 | 360.391 | 66.816 | 837.735 |
| **Balance at 31 December 2019** | **410.528** | **360.391** | **66.816** | **837.735** |
| **Depreciation** | | | | |
| Charge for the year | 84.893 | 129.179 | 66.816 | 280.888 |
| **Balance at 31 December 2019** | **84.893** | **129.179** | **66.816** | **280.888** |
| **Net book amount** | | | | |
| **Balance at 31 December 2019** | **325.635** | **231.212** | **-** | **556.847** |

### 18. Investments in subsidiaries

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| Balance at 1 January | **27.347.715** | 28.385.805 |
| Additions | **9.316.836** | - |
| Impairment charge | **(7.800.000)** | (30.836) |
| Return of capital | **-** | (1.007.254) |
| **Balance at 31 December** | **28.864.551** | 27.347.715 |

The details of the subsidiaries are as follows:

| Name | Country of incorporation | Principal activities | 2019 Holding % | 2018 Holding % | **2019 €** | 2018 € |
|---|---|---|---|---|---|---|
| Terna Bahrain Holding W.L.L. | Bahrain | Services | 99,99 | 99,99 | **14.063.279** | 14.063.279 |
| Terna Qatar LLC (1) | Qatar | Services | 35 | 35 | **13.249.203** | 13.283.367 |
| Malcem Construction Materials Ltd | Malta | Dormant | 75 | 75 | **-** | - |
| Terna Contracting W.L.L. (2) | Bahrain | Services | 0,01 | 0,01 | **169** | 169 |
| QE Energy Europe Ltd | Cyprus | Supply of gas | 90 | 90 | **900** | 900 |
| Aerozephiros Ltd | Cyprus | Holding of Helicopter | 100 | - | **1.551.000** | - |
| | | | | | **28.864.551** | 27.347.715 |

(1) During the year there was a return of capital to the Company from Terna Qatar for the amount of €1.007.254.

(2) The Company also has 99,99% indirect shareholding in Terna Contracting W.L.L through its 99,99% investment in Terna Bahrain Holding W.L.L.

### 19. Investments in associates

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Balance at 1 January | **4.962.265** | 7.082.979 |
| Disposals | **-** | (2.120.714) |
| Return of capital | **(919.558)** | - |
| **Balance at 31 December** | **4.042.707** | 4.962.265 |

The details of the investments are as follows:

| Name | Country of incorporation | Principal activities | 2019 Holding % | 2018 Holding % | 2019 € | 2018 € |
|---|---|---|---|---|---|---|
| Icon EOOD | Bulgaria | Real estate | 16,47 | 16,47 | **4.042.707** | 4.962.265 |
| | | | | | **4.042.707** | 4.962.265 |

(1) During the year there was a return of capital to the Company from Icon EOOD for the amount of €919.558.

### 20. Trade and other receivables

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Trade receivables | **7.175.605** | 1.301.304 |
| Less: credit loss on trade receivables | **(10)** | (49) |
| Trade receivables - net | **7.175.595** | 1.301.255 |
| Receivables from own subsidiaries (Note 26.5) | **17.116.318** | 12.354.882 |
| Receivables from associates (Note 26.5) | **8.204.353** | 10.036.288 |
| Receivables from parent (Note 26.5) | **166.500** | 166.500 |
| Less: credit loss on receivables from related parties | **(74.655)** | (10.594) |
| Deposits and prepayments | **979.517** | 1.266.068 |
| Deferred expenses | **37.810** | 106.270 |
| Other receivables | **124.101** | 63.517 |
| Refundable VAT | **552.264** | 849.728 |
| | **34.281.803** | 26.133.914 |

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

For a summary of key terms and conditions relating to the balances with related parties, refer to note 26 of the financial statements.

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

### 21. Cash and cash equivalents

Cash balances are analysed as follows:

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Cash in hand | **522** | 5 |
| Cash in transit | **4.129** | - |
| Cash at bank | **3.369.870** | 5.543.508 |
| Bank deposits | **1.052.957** | 603.747 |
| | **4.427.478** | 6.147.260 |

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

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Cash at bank and in hand | **3.374.521** | 5.543.513 |
| | **3.374.521** | 5.543.513 |

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.

### 22. Share capital and share premium

| Issued and fully paid | Number of shares | Share capital | Share premium | Total |
|---|---|---|---|---|
| | | € | € | € |
| Balance at 1 January 2018 | 403.605 | 4.036.050 | 92.599.150 | 96.635.200 |
| Issue of shares in 2018 | 6.125 | 61.250 | 1.408.750 | 1.470.000 |
| **Balance at 31 December 2018/ 1 January 2019** | **409.730** | **4.097.300** | **94.007.900** | **98.105.200** |
| Issue of shares in 2019 | 76.128 | 761.280 | 17.509.440 | 18.270.720 |
| **Balance at 31 December 2019** | **485.858** | **4.858.580** | **111.517.340** | **116.375.920** |

**Authorised capital**

On 30 January 2019, the authorised share capital of the Company was increased from 409.730 ordinary shares of €10 each to 422.755 ordinary shares of €10 each.

On 28 June 2019, the authorised share capital of the Company was increased from 422.755 ordinary shares of €10 each to 461.150 ordinary shares of €10 each.

On 9 December 2019, the authorised share capital of the Company was increased from 461.150 ordinary shares of €10 each each to 485.858 ordinary shares of €10 each.

**Issued capital**

On 30 January 2019, the Company issued 13.025 additional ordinary shares of nominal value €10 each (additional share capital €130.250) at a premium of €230 each (additional share premium €2.995.7550).

On 14 June 2019, the Company issued 38.395 additional ordinary shares of nominal value €10 each (additional share capital €383.950) at a premium of €230 each (additional share premium €8.830.850).

On 9 December 2019, the Company issued 24.708 additional ordinary shares of nominal value €10 each (additional share capital €247.080) at a premium of €230 each (additional share premium €5.682.840).

### 23. Borrowings

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| Balance at 1 January | **734.740** | 694.740 |
| Interest charged | **27.101** | 40.000 |
| Waiver of accrued interest | **(105.983)** | - |
| **Balance at 31 December** | **655.858** | 734.740 |

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| **Current borrowings** | | |
| Loans from associates (Note 26.7) | **655.858** | 734.740 |
| | **655.858** | 734.740 |

### 24. Trade and other payables

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| Trade payables | **2.452.458** | 5.206.523 |
| Social insurance and other taxes | **121.542** | 66.387 |
| Payables to parent (Note 26.6) | **-** | 4.163.164 |
| Accruals | **28.407** | 202.130 |
| Payables to own subsidiaries (Note 26.6) | **3.664.665** | 2.708 |
| Payables to associates (Note 26.6) | **1.431.569** | 953.648 |
| | **7.698.641** | 10.594.560 |
| Less non-current payables | **(5.096.234)** | (5.120.420) |
| **Current portion** | **2.602.407** | 5.474.140 |

For a summary of key terms and conditions relating to the balances with related parties, refer to note 26 of the financial statements.

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

### 25. Current tax liabilities

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| Corporation tax | **412.935** | 368.901 |
| Special contribution for defence | **2.503** | 491 |
| | **415.438** | 369.392 |

### 26. Related party transactions

The Company is controlled by Terna S.A., incorporated in Greece, which owns 100% of the Company's shares. The Company's ultimate controlling party is Gek Terna S.A., which is listed in the Athens Stock Exchange.

### 26. Related party transactions (continued)

The following transactions were carried out with related parties:

#### 26.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

| | 2019 | 2018 |
|---|---|---|
| | **€** | € |
| Directors' fees | **-** | 1.200 |
| | **-** | 1.200 |

#### 26.2 Sales of goods and services

| | 2019 | 2018 |
|---|---|---|
| | **€** | € |
| Terna S.A. Serbia Branch | **3.568.420** | 2.874.140 |
| Terna S.A. Cyprus Branch | **71.967** | 31.899 |
| Terna S.A. Abu Dhabi Branch | **-** | 14.065 |
| Terna S.A. Sharjah Branch | **-** | 14.065 |
| Terna S.A. Bulgaria Branch | **-** | 15.000 |
| Terna Contracting WLL | **-** | 2.500 |
| Terna S.A. Saudi Arabia | **19.535** | 25.128 |
| Vinci Terna JV Doo | **2.268.548** | - |
| Avax-Terna JV - MCD | **703.799** | - |
| | **6.632.269** | 2.976.797 |

#### 26.3 Purchases and expenses

| | | 2019 | 2018 |
|---|---|---|---|
| | Nature of transactions | **€** | € |
| Terna S.A. | Property, plant and equipment | **4.000** | 1.605.973 |
| Terna S.A. | Machinery & technocal installations | **126.270** | - |
| Terna S.A. | Cost of sales | **64.529** | - |
| Terna S.A. | Expenses | **644.582** | - |
| Terna Oversease Limited Greece Branch | Cost of sales | **78.527** | - |
| Terna Oversease Limited Greece Branch | Finance expenses | **172** | - |
| | | **918.080** | 1.605.973 |

#### 26.4 Loan interest expense

| | 2019 | 2018 |
|---|---|---|
| | **€** | € |
| Terna Energy Overseas Ltd | **27.101** | 40.000 |
| | **27.101** | 40.000 |

### 26. Related party transactions (continued)

#### 26.5 Receivables from related parties (Note 20)

| Name | Nature of transactions | 2019 € | 2018 € |
|---|---|---|---|
| Malcem Construction Material Ltd | Finance | **76.538** | 76.051 |
| Terna Bahrain Holding WLL | Finance | **16.386.602** | 11.752.216 |
| Terna Contracting WLL | Finance | **-** | 2.488 |
| QE Energy Europe Ltd | Finance | **523.957** | 522.930 |
| Icon Borovets Eood | Finance | **-** | 271.930 |
| Terna S.A. Sharjah Branch | Finance | **-** | 14.065 |
| Terna S.A. Libya Branch | Finance | **531.310** | 530.606 |
| Icon Eood | Finance | **-** | 1.800.000 |
| Terna S.A. Abu Dhabi Branch | Finance | **-** | 14.052 |
| Terna S.A. Ogranak | Trade | **3.558.811** | 5.509.012 |
| Terna S.A. Cyprus Branch | Finance | **357** | 29.905 |
| Terna S.A Branch of Saudi Arabia | Finance | **24.968** | 24.877 |
| Terna S.A. Branch Bulgaria | Finance | **-** | 14.988 |
| Terna S.A. Iraq Branch | Finance | **883.933** | 1.818.290 |
| Terna S.A. Greece | Finance | **165.887** | 165.668 |
| AVAX - Terna J.V. - Mediterrancean City of Dearms | Finance | **922.520** | - |
| Vinci Construction JV doo | Finance | **2.268.548** | - |
| Aerozephiros Ltd | Finance | **69.085** | - |
| | | **25.412.516** | 22.547.078 |

The receivables from related parties were provided interest free, and there was no specified repayment date.

#### 26.6 Payables to related parties (Note 24)

| Name | Nature of transactions | 2019 € | 2018 € |
|---|---|---|---|
| Terna SA Sharjah Branch | Finance | **-** | 953.648 |
| Terna S.A. Greece | Finance | **4.998.545** | 4.163.164 |
| QE Energy Europe Limited | Finance | **900** | 900 |
| Terna Bahrain Holding WLL | Finance | **2.708** | 2.708 |
| Aerozephiros Ltd | Finance | **93.981** | - |
| | | **5.096.134** | 5.120.420 |

The payables to related parties were provided interest free, and there was no specified repayment date.

#### 26.7 Loans from related parties (Note 23)

| | 2019 € | 2018 € |
|---|---|---|
| Terna Energy Overseas Ltd | **655.858** | 734.740 |
| | **655.858** | 734.740 |

The loan bears interest at the rate of 8% and is repayable by 31 December 2020.

#### 26.8 Shareholders' current accounts - debit balances (Note 20)

| | 2019 € | 2018 € |
|---|---|---|
| Terna S.A. | **165.887** | 165.668 |
| | **165.887** | 165.668 |

The shareholders' current accounts are interest free, and have no specified repayment date.

**26. Related party transactions (continued)**

**26.9 Shareholders' current accounts - credit balances**

| | 2019 | 2018 |
|---|---|---|
| | € | € |
| Terna S.A. | **4.832.045** | 3.808.654 |
| | **4.832.045** | 3.808.654 |

The shareholders' current accounts are interest free, and have no specified repayment date.

**27. Parent company**

The Company is controlled by Terna S.A., incorporated in Greece, which owns 100% of the Company's shares.

**28. Contingent liabilities**

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

**29. Commitments**

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

**30. Accounting policies up to 31 December 2018**

Accounting policies applicable to the comparative period ended 31 December 2018 that were amended by IFRS 16, are as follows.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

**31. Events after the reporting period**

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

### 31. Events after the reporting period (continued)

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position.


**Independent auditor's report on pages 4 to 6**

# ADDITIONAL INFORMATION TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## CONTENTS

# DETAILED INCOME STATEMENT
31 December 2019

| | Page | 2019 € | 2018 € |
|---|---|---|---|
| **Revenue** | | | |
| Rendering of services | | **5.007.680** | 2.847.140 |
| Cost of sales | 3 | **(4.053.251)** | (2.592.108) |
| **Gross profit** | | **954.429** | 255.032 |
| Gross profit from contract work | 4 | **495.214** | 228.128 |
| **Gross profit** | | **1.449.643** | 483.160 |
| **Other operating income** | | | |
| Income from equipment rental | | **1.097.946** | 475.337 |
| Sundry operating income | | **194.946** | 331.663 |
| Income from insurance indemnities | | **326.349** | - |
| Waiver of accrued interest | | **105.983** | - |
| Reversal of impairment - loans to related parties | | **35.601** | - |
| Reversal of impairment - trade receivables | | **39** | - |
| | | **3.210.507** | 1.290.160 |
| **Operating expenses** | | | |
| Administration expenses | 5 | **(2.363.870)** | (1.126.339) |
| | | **846.637** | 163.821 |
| **Other operating expenses** | | | |
| Capital issue costs | | **(252)** | (696) |
| Impairment charge - loans to related parties | | **-** | (10.594) |
| Impairment charge - trade receivables | | **(68.826)** | (49) |
| Loss from sale of investments in associates | | **-** | (320.714) |
| Impairment charge - investments in subsidiaries | | **(7.800.000)** | (30.836) |
| **Operating loss** | | **(7.022.441)** | (199.068) |
| Finance income | 6 | **134.736** | 189.384 |
| Finance costs | 6 | **(228.195)** | (188.904) |
| **Net loss for the year before tax** | | **(7.115.900)** | (198.588) |

# COST OF SALES

31 December 2019

| | **2019** | 2018 |
|---|---|---|
| | **€** | € |
| **Cost of sales** | | |
| **Direct costs** | | |
| Salaries | **885.139** | 330.246 |
| Subcontracted work | **-** | 9 |
| Services received | **3.119.850** | 2.211.290 |
| Commissions payable | **-** | 9.692 |
| Transportation expenses | **48.262** | 40.871 |
| | **4.053.251** | 2.592.108 |

# PROJECTS FOR THIRD PARTIES

31 December 2019

| | 2019 € | 2018 € |
|---|---|---|
| **Projects for Third Parties** | | |
| **Work certified on uncompleted projects:** | | |
| At the beginning | **(57.690.452)** | (23.762.331) |
| At the end | **112.065.895** | 57.690.452 |
| **Work in progress:** | | |
| At the beginning | **56.868.266** | 23.168.273 |
| At the end | **(110.745.945)** | (56.868.266) |
| | **497.764** | 228.128 |
| **Cost for third party projects** | | |
| Charges for professional fees and services | **2.550** | - |
| | **2.550** | - |
| **Gross profit from contract work** | **495.214** | 228.128 |

# ADMINISTRATIVE EXPENSES
31 December 2019

| | 2019 € | 2018 € |
|---|---|---|
| **Administration expenses** | | |
| Staff salaries | **708.898** | 226.633 |
| Social security costs | **17.452** | - |
| Social insurance | **44.659** | 14.006 |
| Social cohesion fund | **12.780** | 3.861 |
| Rent | **6.138** | 11.016 |
| Common expenses | **6.435** | 402 |
| Annual levy | **767** | 350 |
| Electricity | **4.086** | 902 |
| Water supply and cleaning | **6.600** | - |
| Insurance | **207.823** | 84.333 |
| Repairs and maintenance | **-** | 60 |
| Sundry expenses | **104.180** | 47.878 |
| Telephone and postage | **6.930** | 815 |
| Courier expenses | **-** | 61 |
| Stationery and printing | **1.409** | 262 |
| Subscriptions and contributions | **2.511** | 1.428 |
| Staff training | **-** | 193 |
| Certification and legalisation expenses | **1.260** | 1.206 |
| Auditors' remuneration for the statutory audit of annual accounts | **7.500** | 6.400 |
| Accounting fees | **9.500** | 59.883 |
| Legal fees | **2.792** | - |
| Other professional fees | **3.358** | 5.977 |
| Directors' fees | **-** | 1.200 |
| Revenue stamps | **2.778** | 48.128 |
| Fines | **1.382** | - |
| Travelling | **127.391** | 44.101 |
| Irrecoverable VAT | **5.141** | - |
| Carriage and clearing | **1.100** | - |
| Expenses for leasing of equipment | **282.362** | 387.279 |
| Services received | **722.813** | 179.965 |
| Branch prior year expenses | **20.228** | - |
| Depreciation | **45.597** | - |
| | **2.363.870** | 1.126.339 |

# FINANCE INCOME/COST
31 December 2019

| | 2019 | 2018 |
|---|---|---|
| | **€** | € |
| **Finance income** | | |
| Bank interest | **2.486** | 9.235 |
| Realised foreign exchange profit | **3.977** | 2 |
| Unrealised foreign exchange profit | **128.273** | 180.147 |
| | **134.736** | 189.384 |
| **Finance costs** | | |
| **Interest expense** | | |
| Loan interest | **27.101** | 40.000 |
| Interest expense on lease liabilities | **31.730** | - |
| **Sundry finance expenses** | | |
| Bank charges | **58.703** | 15.830 |
| **Net foreign exchange losses** | | |
| Realised foreign exchange loss | **62** | 861 |
| Unrealised foreign exchange loss | **110.599** | 132.213 |
| | **228.195** | 188.904 |

# TERNA OVERSEAS LIMITED

## COMPUTATION OF CORPORATION TAX
31 December 2019

| | Page | € | € |
|---|---|---|---|
| Net loss per income statement | 2 | | (7.115.900) |
| Add: | | | |
| Depreciation | | 13.289 | |
| Impairment charge - investments in subsidiaries | | 7.800.000 | |
| Capital issue costs (included in other expenses) | | 252 | |
| Construction expenses re Ayia Napa Marina (96% completion of phase 1) | | 27.155.805 | |
| Construction expenses re Ayia Napa Marina (22% completion of phase 2) | | 26.721.874 | |
| Disallowance of non-statutory administration expenses as per allocation schedule | | 78.312 | |
| Gross profit from contract work re Ayia Napa Marina (Phase 1) | | 1.319.941 | |
| Interest expense from obligations under finance leases | | 25.272 | |
| Accounting loss before tax attributable to the Greek Branch | | 180.226 | |
| | | | 63.294.971 |
| | | | 56.179.071 |
| Less: | | | |
| FX not relating to trading in FX (for own account) | | 21.588 | |
| Contract income re Ayia Napa Marina (refer to calculation re 22% completion of Phase 2) | | 26.721.874 | |
| Interest income | | 2.486 | |
| Gain on sale of PPE (included in Other operating income | | 2.377 | |
| Contract income re Ayia Napa Marina (96% completion of Phase 1) | | 27.653.570 | |
| Tax loss attributable to the Greek Branch | | 125.507 | |
| | | | (54.527.402) |
| **Chargeable income for the year** | | | 1.651.669 |
| Loss brought forward | | | (57.311) |
| **Chargeable income** | | | 1.594.358 |

| **Calculation of corporation tax** | Income | Rate | Total |
|---|---|---|---|
| | € | % | € c |
| **Tax at normal rates:** | | | |
| Chargeable income as above | 1.594.358 | 12,50 | 199.294,75 |
| Tax paid provisionally | 1.242.080 | | (155.260,00) |
| **TAX PAYABLE** | | | 44.034,75 |