

**VONPENDE HOLDINGS P.L.C.**  
**REPORT AND CONSOLIDATED FINANCIAL**  
**STATEMENTS**  
31 December 2019

**C.EFSTATHIOU**  
AUDIT LTD

**Εγκεκριμένοι Λογιστές**

**Certified Public Accountants**

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# **VONPENDE HOLDINGS P.L.C.**

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## **REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 31 December 2019

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# VONPENDE HOLDINGS P.L.C.

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## BOARD OF DIRECTORS AND OTHER OFFICERS

<b>Board of Directors:</b>	Marina Tsoy Stella Koukounis Georgios Koufaris
<b>Company Secretary:</b>	Stella Koukounis
<b>Independent Auditors:</b>	C. Efstathiou Audit Ltd Certified Public Accountants and Registered Auditors 8 Kennedy Avenue Athienitis Building 2nd floor, Office 201 1087 Nicosia
<b>Business address:</b>	Akamantis Business Center Egypt street, 10 3rd floor, P.C. 1097, Nicosia, Cyprus
<b>Registered office:</b>	Chrysanthou Mylona, 2 Dali, P.C. 2540, Nicosia, Cyprus
<b>Bankers:</b>	Credit Suisse AG, Zurich EcommBX Limited, Cyprus
<b>Registration number:</b>	HE216944

# VONPENDE HOLDINGS P.L.C.

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## MANAGEMENT REPORT

The Board of Directors presents its report and audited consolidated financial statements of the Company and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2019.

### **Principal activities and nature of operations of the Group**

The principal activities of the Group comprise the trading in financial instruments, the receiving and granting of loans, the ownership and leasing of residential property, the trading in cement products, the distribution, provision of telecommunication equipment and the completion of networking solutions, wireless and wired.

### **Review of current position, future developments and performance of the Group's business**

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

### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the Group are disclosed in notes 7, 8 and 32 of the consolidated financial statements.

### **Results**

The Group's results for the year are set out on page 7.

### **Dividends**

The Group does not recommend the payment of an interim dividend and the net loss for the year is carried forward (2018: EUR1,809,980).

The Group does not recommend the payment of a final dividend and the net loss for the year is carried forward (2018: EUR1,850,000).

### **Share capital**

#### **Authorised capital**

On 7 August 2019, the authorised share capital of the Company was increased by 70,000 ordinary shares of nominal value of EUR 12,50 each.

### **Implementation and compliance to the Code of Corporate Governance**

The Group recognises the importance of implementing sound corporate governance policies, practices and procedures. As a company listed on the Cyprus Stock Exchange (CSE), Vonpende Holdings P.L.C. has adopted CSE's Corporate Governance Code and applies its principles.

In March 2006 the CSE issued a revised Code of Corporate Governance. The Group complies with all the provisions of the revised Code.

### **Board of Directors**

The members of the Group'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 Group**

Any significant events that relate to the operating environment of the Group are described in note 32 to the consolidated financial statements.

### **Events after the reporting period**

Any significant events that occurred after the end of the reporting period are described in note 37 to the consolidated financial statements.

# VONPENDE HOLDINGS P.L.C.

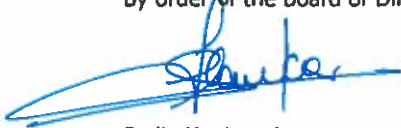
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## MANAGEMENT REPORT

### **Independent Auditors**

The Independent Auditors, C. Efstathiou Audit 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,



Stella Koukounis  
Director

Nicosia, 29 June 2020

## **Independent Auditor's Report**

### **To the Members of Vonpende Holdings P.L.C.**

#### **Report on the Audit of the Consolidated Financial Statements**

##### **Opinion**

We have audited the consolidated financial statements of Vonpende Holdings P.L.C. (the "Company") and its subsidiaries (the "Group"), which are presented in pages 7 to 42 and comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated 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 Consolidated Financial Statements" section of our report. We are independent of the Group 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 consolidated 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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independent Auditor's Report (continued)**

### **To the Members of Vonpende Holdings P.L.C.**

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

The Board of Directors is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## **Independent Auditor's Report (continued)**

### **To the Members of Vonpende Holdings P.L.C.**

#### **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 consolidated financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

#### **Other Matter**

This report, including the opinion, has been prepared for and only for the Group'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.



Demos Nicolaides  
Certified Public Accountant and Registered Auditor  
for and on behalf of  
**C. Efstathiou Audit Ltd**  
**Certified Public Accountants and Registered Auditors**

Nicosia, 29 June 2020



## VONPENDE HOLDINGS P.L.C.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	2019 EUR	2018 EUR
<b>Revenue</b>	10	<b>77.712.158</b>	58.171.070
Cost of sales	11	<u>(41.516.268)</u>	<u>(46.029.908)</u>
<b>Gross profit</b>		<b>36.195.890</b>	12.141.162
Other income	12	<b>3.347.216</b>	246.561
Distribution expenses		<b>(28.153)</b>	-
Administration expenses	13	<b>(1.161.936)</b>	(2.439.884)
Other expenses	14	<b>(3.541.312)</b>	(3.674.274)
<b>Operating profit</b>		<b>34.811.705</b>	6.273.565
Net finance income/(cost)	15	<b>1.441.044</b>	(10.012)
<b>Profit before tax</b>		<b>36.252.749</b>	6.263.553
Tax	16	<b>(5.130.596)</b>	(72.887)
<b>Net profit for the year</b>		<b>31.122.153</b>	6.190.666
<b>Other comprehensive income</b>			
Financial assets at fair value through other comprehensive income - Fair value Loss		<b>(32.326.040)</b>	(50.364.013)
Exchange difference arising on the translation and consolidation of foreign companies' financial statements		<b>(6.974.661)</b>	-
<b>Other comprehensive loss for the year</b>		<b>(39.300.701)</b>	(50.364.013)
<b>Total comprehensive loss for the year</b>		<b>(8.178.548)</b>	(44.173.347)

The notes on pages 14 to 42 form an integral part of these consolidated financial statements.

# VONPENDE HOLDINGS P.L.C.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Note	2019 EUR	2018 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	17	4.281	2.734
Investment properties	18	97.441	101.193
Goodwill	19	740.321	4.131.632
Investments in subsidiaries	20	52.042.017	65.385.186
Interest bearing bonds	21	-	2.514.217
Other financial assets at amortised cost	22	12.919.617	284.627.053
Loans receivable	23	530.525.257	606.816.908
		<u>596.328.934</u>	<u>963.578.923</u>
<b>Current assets</b>			
Inventories	24	2.424.479	-
Trade and other receivables	25	9.055.265	2.270.536
Loans receivable	23	-	144.462.124
Financial assets at fair value through profit or loss	26	205.468	-
Cash and cash equivalents	27	5.348.881	2.551.155
		<u>17.034.093</u>	<u>149.283.815</u>
<b>Total assets</b>		<u>613.363.027</u>	<u>1.112.862.738</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	28	2.177.150	2.177.150
Share premium		1.546.784	1.546.784
Fair value reserve - Financial assets at fair value through other comprehensive income		(185.854.024)	(146.553.323)
Non-refundable advances		474.081	384.358
Retained earnings		123.558.327	69.687.522
Non-controlling interests		11.709.321	26.606.686
<b>Total equity</b>		<u>(46.388.361)</u>	<u>(46.150.823)</u>
<b>Non-current liabilities</b>			
Borrowings	29	566.223.894	1.041.284.853
		<u>566.223.894</u>	<u>1.041.284.853</u>
<b>Current liabilities</b>			
Trade and other payables	30	93.505.780	4.062.360
Borrowings	29	-	113.646.947
Current tax liabilities	31	21.714	19.401
		<u>93.527.494</u>	<u>117.728.708</u>
<b>Total liabilities</b>		<u>659.751.388</u>	<u>1.159.013.561</u>
<b>Total equity and liabilities</b>		<u>613.363.027</u>	<u>1.112.862.738</u>

The notes on pages 14 to 42 form an integral part of these consolidated financial statements.

## VONPENDE HOLDINGS P.L.C.

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On 29 June 2020 the Board of Directors of Vonpende Holdings P.L.C. authorised these consolidated financial statements for issue.



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Stella Koukounis  
Director



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Georgios Koufaris  
Director

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The notes on pages 14 to 42 form an integral part of these consolidated financial statements.

# VONPENDE HOLDINGS P.L.C.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

Note	Share capital EUR	Share premium EUR	Attributable to equity holders of the Company				Total EUR	Non- controlling interests EUR	Total EUR
			Share value reserve	- Financial assets at fair value through other comprehensive income EUR	Non- refundable advances EUR	Retained earnings EUR			
<b>Balance at 1 January 2018</b>	<b>100.000</b>	-	<b>(96.189.311)</b>	-	-	<b>74.483.380</b>	<b>(21.605.931)</b>	<b>46.037.903</b>	<b>24.431.972</b>
<b>Comprehensive income</b>									
Net profit for the year	-	-	-	-	-	6.461.276	6.461.276	(270.610)	6.190.666
Other comprehensive income for the year	-	-	(50.364.013)	-	-	-	(50.364.013)	-	(50.364.013)
Total comprehensive income for the year	-	-	(50.364.013)	-	-	6.461.276	(43.902.737)	(270.610)	(44.173.347)
<b>Transactions with owners</b>									
Issue of share capital	2.077.150	1.546.784	-	-	-	-	3.623.934	-	3.623.934
Dividends	-	-	-	-	-	(3.659.980)	(3.659.980)	-	(3.659.980)
Total transactions with owners	2.077.150	1.546.784	-	-	-	(3.659.980)	(36.046)	-	(36.046)
<b>Other movements</b>									
Exchange difference	-	-	-	-	-	(7.597.154)	(7.597.154)	(19.160.607)	(26.757.761)
Funds for the year	-	-	-	-	384.358	-	384.358	-	384.358
<b>Balance at 31 December 2018/ 1 January 2019</b>	<b>2.177.150</b>	<b>1.546.784</b>	<b>(146.553.323)</b>	<b>384.358</b>	<b>69.687.522</b>	<b>(72.757.509)</b>	<b>26.606.686</b>	<b>(46.150.823)</b>	
<b>Comprehensive income</b>									
Net profit for the year	-	-	-	-	-	30.391.299	30.391.299	730.854	31.122.153

The notes on pages 14 to 42 form an integral part of these consolidated financial statements.

# VONPENDE HOLDINGS P.L.C.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Note	Attributable to equity holders of the Company					
		Share capital	Share premium	Share comprehensive income	Non-refundable advances	Retained earnings	Non-controlling interests
		EUR	EUR	EUR	EUR	EUR	EUR
Other comprehensive income for the year		-	-	(32.326.040)	-	-	(32.326.040)
Total comprehensive income for the year		-	-	(32.326.040)	-	30.391.299	730.854
						(1.934.741)	(1.203.887)
<b>Other movements</b>							
Funds for the year		-	-	-	89.723	-	89.723
Exchange difference		-	-	(6.974.661)	-	23.479.506	16.504.845
Total other movements		-	-	(6.974.661)	89.723	23.479.506	16.594.568
<b>Balance at 31 December 2019</b>		<b>2.177.150</b>	<b>1.546.784</b>	<b>(185.854.024)</b>	<b>474.081</b>	<b>123.558.327</b>	<b>11.709.321</b>
						<b>(58.097.682)</b>	<b>(46.388.361)</b>

The notes on pages 14 to 42 form an integral part of these consolidated financial statements.

# VONPENDE HOLDINGS P.L.C.

## CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2019

	Note	2019 EUR	2018 EUR
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		36.252.749	6.263.553
Adjustments for:			
Depreciation of property, plant and equipment		6.278	4.502
Exchange difference arising on the translation of non-current assets in foreign currencies		-	318.498
Unrealised exchange loss		1.106	-
Fair value (gains) on financial assets through other comprehensive income		-	(5.282)
Fair value gains on financial assets at fair value through profit or loss		(3.417)	-
Reversal of impairment - investments in subsidiaries		-	(244.888)
Share of loss from associates		-	964.037
Interest income		(42.325.197)	(48.993.349)
Interest expense	15	28.342.910	111
Dividend income		(3.024.764)	(995.691)
Loss from liquidation		3.541.312	-
		<u>22.790.977</u>	<u>(42.688.509)</u>
<b>Changes in working capital:</b>			
Increase in inventories		(2.320.385)	-
Increase in trade and other receivables		(4.225.773)	(1.260.538)
Increase in financial assets at fair value through profit or loss		(203.157)	-
Decrease in bank deposits		66.159	3.181
Increase/(decrease) in trade and other payables		85.639.393	(2.234.761)
Decrease in amounts owed by group companies		48.051	-
Decrease in amounts owed to group companies		<u>(12.061.713)</u>	<u>-</u>
<b>Cash generated from/(used in) operations</b>		<b>89.733.552</b>	<b>(46.180.627)</b>
Interest received		43.863.401	50.316.895
Dividends received		3.352.562	995.691
Interest paid		(57.013)	-
Tax paid		<u>(5.086.133)</u>	<u>(72.764)</u>
<b>Net cash generated from operating activities</b>		<b>131.806.369</b>	<b>5.059.195</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of property, plant and equipment	17	(3.687)	(1.760)
Payment for purchase of investments in subsidiaries	20	(12.618.876)	(142.888)
Payment for purchase of investments in associated undertakings		-	(964.037)
Payment for purchase of financial assets at amortised cost	22	-	(4.324.372)
Loans granted		(26.596)	(424.878)
Loans repayments received		230.418.824	330.128.319
Proceeds from sale of financial assets at amortised cost		270.009.898	6.285.000
Interest received		1.693	18.326
Dividends received		1.884.505	-
Proceeds from liquidation of investments in subsidiaries undertakings		<u>5.799.305</u>	<u>-</u>
<b>Net cash generated from investing activities</b>		<b>495.465.066</b>	<b>330.573.710</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		-	3.623.934
Advances from shareholders		50.385	403.853
Repayments of borrowings		(612.588.045)	(339.769.747)
Proceeds from borrowings		2.200.068	4.867.890

The notes on pages 14 to 42 form an integral part of these consolidated financial statements.

## VONPENDE HOLDINGS P.L.C.

### CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2019

	Note	2019 EUR	2018 EUR
Interest paid		(28.342.910)	(111)
Dividends paid		(1.100.000)	(3.724.980)
Refinancing of loans		<u>12.199.259</u>	<u>-</u>
<b>Net cash used in financing activities</b>		<b><u>(627.581.243)</u></b>	<b><u>(334.599.161)</u></b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(309.808)</b>	<b>1.033.744</b>
Cash and cash equivalents at beginning of the year		<b>4.328.451</b>	<b>374.552</b>
Effect of exchange rate fluctuations on cash held		<u>-</u>	<u>1.142.859</u>
<b>Cash and cash equivalents at end of the year</b>		<b><u>4.018.643</u></b>	<b><u>2.551.155</u></b>

The notes on pages 14 to 42 form an integral part of these consolidated financial statements.

# VONPENDE HOLDINGS P.L.C.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 1. Incorporation and principal activities

#### Country of incorporation

The Company Vonpende Holdings P.L.C. (the "Company") was incorporated in Cyprus on 20 December, 2007 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Chrysanthou Mylona, 2, Dali, P.C. 2540, Nicosia, Cyprus. Its business address at Akamantis Business Center, Egypt street, 10, 3rd floor, P.C. 1097, Nicosia, Cyprus.

#### Principal activities

The principal activities of the Group comprise the trading in financial instruments, the receiving and granting of loans, the ownership and leasing of residential property, the trading in cement products, the distribution, provision of telecommunication equipment and the completion of networking solutions, wireless and wired.

### 2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. These consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of investments in subsidiary companies which are classified as financial assets at fair value through other comprehensive income and measured at fair value and financial assets at fair value through profit or loss.

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 Group'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. Functional and presentation currency

The consolidated financial statements are presented in Euro (EUR) which is the functional currency of the Group.

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

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

### 5. Significant accounting policies

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

#### Basis of consolidation

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company Vonpende Holdings P.L.C. and the financial statements of the following subsidiaries: "Wing Hang Enterprises (Cyprus) Limited", "Eyestorn Enterprises Limited", "Kirnione Holdings Limited", "Lebset Developments Limited" and "Winncom Technologies Holding Limited" (the Irish "Group"). The Irish "Group" consists of "Winncom Technologies Holding Limited" and its subsidiary Winncom Technologies EU Limited.



# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Basis of consolidation (continued)

The financial statements of all the Group companies are prepared using uniform accounting policies. All inter-company transactions and balances between Group companies have been eliminated during consolidation.

#### Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

# VONPENDE HOLDINGS P.L.C.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Business combinations (continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

#### Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated undertakings are stated at cost less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

#### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "Investments in associates". Goodwill on acquisitions of investments in joint ventures is included in "investments in joint ventures".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

#### Revenue

##### Recognition and measurement

Revenue represents the amount of consideration to which the Group 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 Group 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 Group's experience with similar contracts and forecasted sales to the customer.

The Group 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 Group 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 Group's future cash flows is expected to change as a result of the contract), it is probable that the Group 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 Group's contracts with customers.

# VONPENDE HOLDINGS P.L.C.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Revenue recognition (continued)

The Group 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 Group 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 consolidated 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.

- **Sale of products**

Sales of products are recognised at the point in time when the Group satisfies its performance obligation by transferring control over the promised products to the customer, which is usually when the products are delivered to the customer, risk of obsolescence and loss have been transferred to the customer and the customer has accepted the products.

- **Rendering of services**

Revenue from rendering of services is recognised over time while the Group 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.

- **Income from investments in securities**

Dividend from investments in securities is recognised when the right to receive payment is established. Withheld taxes are transferred to profit or loss. Interest from investments in securities is recognised on an accruals basis.

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

The difference between the fair value of investments at fair value through profit or loss as at 31 December 2019 and the mid cost price represents unrealised gains and losses and is included in profit or loss in the period in which it arises. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss as fair value gains or losses on investments, taking into account any amounts charged or credited to profit or loss in previous periods.

- **Commission income**

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

- **Rental income**

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

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Revenue recognition (continued)

- **Interest income**

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

- **Dividend income**

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

#### 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.

#### 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.

#### Dividends

Interim dividends are recognised in equity in the year in which they are approved by the Group's Directors. Dividend distribution to the Group's shareholders is recognised in the Group's financial statements in the year in which they are approved by the Group'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:

Computer hardware and operating systems	% 20
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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 Group. Major renovations are depreciated over the remaining useful life of the related asset.

# VONPENDE HOLDINGS P.L.C.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

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

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.

#### Investment properties

Investment property is held for long-term rental yields and/or for capital appreciation and is not occupied by the Group. Investment property is treated as a non-current asset and is stated at historical cost less depreciation. 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 3% for flat and 10% for furnitures they are included within.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

#### 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 Group 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 Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group 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 Group 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 Group 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).

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### 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 Group 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 Group has transferred substantially all the risks and rewards of ownership.

#### Financial assets - Measurement

At initial recognition, the Group 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.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

**FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the consolidated statement of profit or loss and other comprehensive income.

**FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Financial assets - Measurement (continued)

##### Equity instruments

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

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

#### Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC. The Group 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 consolidated statement of profit or loss and other comprehensive income within other expenses.

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

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 Group 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 Group applies general approach - three stage model for impairment. The Group 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 Group 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 7, Credit risk section, for a description of how the Group determines when a SICR has occurred. If the Group 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 Group's definition of credit impaired assets and definition of default is explained in note 7, Credit risk section.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

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

Additionally the Group has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 7, Credit risk section for a description of how the Group determines low credit risk financial assets.

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

#### Financial assets - modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group 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 Group 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 Group 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 Group 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 Group 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 consolidated cash flow statement, cash and cash equivalents comprise cash at bank. 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.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Group. 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.

#### Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

#### 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.

#### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated 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 consolidated statement of financial position.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

#### 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 Group 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.

# VONPENDE HOLDINGS P.L.C.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Trade receivables (continued)

Trade receivables are also subject to the impairment requirements of IFRS 9. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 7, 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 Group, 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.

#### Non-current liabilities

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

#### Comparatives

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

### 6. New accounting pronouncements

At the date of approval of these consolidated 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 consolidated financial statements of the Group.

### 7. Financial risk management

#### Financial risk factors

The Group is exposed to market price risk, 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 Group to manage these risks are discussed below:

#### 7.1 Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Group's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Group's market price risk is managed through diversification of the investment portfolio.

#### 7.2 Cash flow and fair value 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 Group is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

The Group's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 7. Financial risk management (continued)

#### 7.3 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and outstanding receivables.

##### *(i) Risk management*

Credit risk is managed on a group basis.

For banks and financial institutions, only parties whom management has internally assessed as financially healthy and stable are accepted.

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.

##### *(ii) Impairment of financial assets*

The Group has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- financial assets at amortised cost (bonds and loans receivables)
- cash and cash equivalents

The Group's cash and cash equivalents held with Credit Suisse AG are eligible for participation and are fully covered by the Deposit Guarantee Scheme of Switzerland which covers accounts up to 100.000 CHF per bank per depositor. In this respect, the Company's exposure at default is extinct hence, no ECL arises.

The Group's cash and cash equivalents held at EcommBX, an Electronic Money Institution regulated by the Central Bank of Cyprus operating under license No.115.1.318/2018, are not eligible for participation in the Deposit Guarantee Scheme of the European Union, however the identified impairment loss (ECL) is immaterial.

### Debt investments

#### *Other financial assets at amortised cost*

Other financial assets at amortised cost include subordinated non-secured, non-guaranteed callable coupon-bonds, loans to related parties and other receivables.

#### *Debt investments at amortised cost (subordinated non-secured, non-guaranteed callable coupon-bonds), loans to related parties and other receivables*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Group and changes in the operating results of the borrower.

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 7. Financial risk management (continued)

#### 7.3 Credit risk (continued)

##### *(ii) Impairment of financial assets (continued)*

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments for a prolonged period of time. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Underperforming	Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Interest and/or principal repayments are 90 days past due	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off	None

The Group has no financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.

Over the term of the loans, receivables and other receivables, and debt securities the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 7. Financial risk management (continued)

#### 7.3 Credit risk (continued)

##### *(ii) Impairment of financial assets (continued)*

The Group provides for credit losses against loans to related parties, other receivables, debt securities at AC and cash and cash equivalents. The following tables contains an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised. The gross carrying amounts below also represents the Group's maximum exposure to credit risk on these assets as at 31 December 2019.

#### Loans to third parties

##### Group internal credit rating

	Gross carrying amount EUR	(Loss allowance) EUR	Carrying amount (net of impairment provision) EUR
Performing	530.525.257	-	530.525.257
<b>Total loans to third parties</b>	<b>530.525.257</b>	<b>-</b>	<b>530.525.257</b>

#### Trade and other receivables

##### Group internal credit rating

	Gross carrying amount EUR	(Loss allowance) EUR	Carrying amount (net of impairment provision) EUR
Performing	9.055.261	-	9.055.261
<b>Total trade and other receivables</b>	<b>9.055.261</b>	<b>-</b>	<b>9.055.261</b>

#### Cash and cash equivalents

##### Group internal credit rating

	Gross carrying amount EUR	(Loss allowance) EUR	Carrying amount (net of impairment provision) EUR
Performing	5.348.881	-	5.348.881
<b>Total cash and cash equivalents</b>	<b>5.348.881</b>	<b>-</b>	<b>5.348.881</b>

#### Debt investments at amortised cost

##### Group internal credit rating

	Gross carrying amount EUR	(Loss allowance) EUR	Carrying amount (net of impairment provision) EUR
Performing	12.919.617	-	12.919.617
<b>Total debt investments at amortised cost</b>	<b>12.919.617</b>	<b>-</b>	<b>12.919.617</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 7. Financial risk management (continued)

#### 7.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group 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.

#### 7.5 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 Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, US Dollar and the Russian Ruble. The Group's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

#### 7.6 Capital risk management

Capital includes equity shares, share premium and non refundable advances.

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

#### Fair value estimation

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group 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.

### 8. Critical accounting estimates, judgments and assumptions

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.

#### *Critical accounting estimates and assumptions*

The Group 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.

- **Provision for obsolete and slow-moving inventory**

The Group reviews its inventory records for evidence regarding the saleability of inventory and its net realizable value on disposal. The provision for obsolete and slow-moving inventory is based on Management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognised in profit or loss. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow-moving inventory are reviewed regularly and adjusted accordingly.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 8. Critical accounting estimates, judgments and assumptions (continued)

#### *Critical judgements in applying the Group's accounting policies*

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets at fair value through other comprehensive income has been estimated based on the fair value of these individual assets.

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group'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 7, 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 Group estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- **Valuation of non-listed investments**

The Group uses various valuation methods to value non-listed investments. These methods are based on assumptions made by the Board of Directors which are based on market information at the reporting date.

- **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of the Group on which the goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units using a suitable discount rate in order to calculate present value.

### 9. Fair value measurement

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 9. Fair value measurement (continued)

31 December 2019	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
<b>Assets measured at fair value</b>				
Financial assets at fair value through other comprehensive income				
Investment in subsidiaries	-	-	52.042.017	52.042.017
Financial assets at fair value through profit or loss				
Equity securities listed on a Stock Exchange	98.982	-	-	98.982
Debt securities listed on a Stock Exchange	106.486	-	-	106.486
<b>Total</b>	<b>205.468</b>	<b>-</b>	<b>52.042.017</b>	<b>52.247.485</b>
31 December 2018	Level 1 EUR	Level 2 EUR	Level 3 EUR	Total EUR
<b>Assets measured at fair value</b>				
Financial assets at fair value through other comprehensive income				
Investment in subsidiaries	-	-	65.385.186	65.385.186
<b>Total</b>	<b>-</b>	<b>-</b>	<b>65.385.186</b>	<b>65.385.186</b>

### Transfers between levels

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

### Valuation techniques

#### Listed investments

The fair values of investments traded on active liquid markets are determined with reference to quoted market prices. These investments are included within Level 1 of the hierarchy.

#### Non-listed investments

The fair values of non-listed securities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The Group classifies the fair value of these investments as Level 3.

### Reconciliation of Level 3 fair value measurements

	EUR	Total EUR
<b>Balance at 1 January</b>	<b>65.385.186</b>	<b>65.385.186</b>
Net additions	11.742.446	11.742.446
Net additions through the acquisition of subsidiary	12.956.125	12.956.125
Net disposals	(5.715.700)	(5.715.700)
Fair value adjustment	(32.326.040)	(32.326.040)
<b>Balance at 31 December</b>	<b>52.042.017</b>	<b>52.042.017</b>



# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 10. Revenue

	2019 EUR	2018 EUR
Coupon income	847.326	-
Sales of cement products	76.833	1.222.575
Commissions receivable	-	76.117
Sales	8.104.421	-
Freight income	237.062	-
Dividend income	1.140.259	995.691
Interest income	42.362.775	48.975.023
Profit from sale of investments in subsidiaries	24.403.800	-
Loss on trading on financial assets at fair value through profit or loss	(6.111.606)	-
Net gain on trading in financial instruments	6.644.268	6.896.624
Rental income	7.020	5.040
	<u>77.712.158</u>	<u>58.171.070</u>

### 11. Cost of sales

	2019 EUR	2018 EUR
Purchases of cement products	71.983	1.145.495
Cost of sales	7.581.893	-
Commissions payable	-	550.000
Investment activity performance fee	486.693	-
Interest expense	33.375.699	44.334.413
	<u>41.516.268</u>	<u>46.029.908</u>

### 12. Other income

	2019 EUR	2018 EUR
Amount payable written off	227.629	-
Net foreign exchange income	3.102.665	-
Fair value gains on financial assets at fair value through profit or loss	3.417	-
Reversal of impairment of investments in subsidiaries	-	244.888
Other income	13.505	1.673
	<u>3.347.216</u>	<u>246.561</u>

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 13. Administration expenses

	2019	2018
	EUR	EUR
Directors fees and staff costs	376.937	70.420
Rent	27.409	5.700
Directors services	15.000	20.250
Annual levy	2.228	2.100
Services paid	39.509	34.756
Services provided - investment activities	-	1.291.326
Auditors' remuneration - current year	72.607	67.060
Auditors' remuneration - prior years	10.500	9.500
Accounting fees	12.000	21.500
Legal fees	156.846	45.871
Other professional fees	269.591	296.403
Other expenses	172.792	45.202
Expenses for increase of share capital	-	16.810
Custodian fees	239	49.004
Guarantee fees - investment activities	-	36.630
Surety fees - investment activities	-	422.850
Depreciation	6.278	4.502
	<u>1.161.936</u>	<u>2.439.884</u>

### 14. Other expenses

	2019	2018
	EUR	EUR
Group loss from liquidation of subsidiary	3.541.312	-
Amount receivable written off	-	101.147
Net foreign exchange loss	-	2.225.377
Fair value losses on financial assets at fair value through profit or loss	-	1.347.750
	<u>3.541.312</u>	<u>3.674.274</u>

### 15. Finance income/(costs)

	2019	2018
	EUR	EUR
Interest income	1.886.198	18.326
<b>Finance income</b>	<u>1.886.198</u>	<u>18.326</u>
Interest expense	(1.450)	(9)
Sundry finance expenses	(443.704)	(28.329)
<b>Finance costs</b>	<u>(445.154)</u>	<u>(28.338)</u>
<b>Net finance income/(cost)</b>	<u>1.441.044</u>	<u>(10.012)</u>

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 16. Tax

	2019	2018
	EUR	EUR
Corporation tax	74.699	19.288
Overseas tax	5.055.234	49.785
Defence contribution	663	118
Defence contribution on interim dividends paid	-	3.696
<b>Charge for the year</b>	<b>5.130.596</b>	<b>72.887</b>

### 17. Property, plant and equipment

	Computer hardware and operating systems EUR
<b>Cost</b>	
Balance at 1 January 2018	2.874
Additions	1.760
<b>Balance at 31 December 2018/ 1 January 2019</b>	<b>4.634</b>
Additions	8.011
<b>Balance at 31 December 2019</b>	<b>12.645</b>
<b>Depreciation</b>	
Balance at 1 January 2018	1.150
Charge for the year	750
<b>Balance at 31 December 2018/ 1 January 2019</b>	<b>1.900</b>
Charge for the year	6.464
<b>Balance at 31 December 2019</b>	<b>8.364</b>
<b>Net book amount</b>	
<b>Balance at 31 December 2019</b>	<b>4.281</b>
<b>Balance at 31 December 2018</b>	<b>2.734</b>

### 18. Investment properties

	2019	2018
	EUR	EUR
<b>Cost</b>		
Balance at 1 January	112.333	112.333
<b>Balance at 31 December</b>	<b>112.333</b>	<b>112.333</b>
<b>Depreciation</b>		
Balance at 1 January	11.140	7.388
Charge for the year	3.752	3.752
<b>Balance at 31 December</b>	<b>14.892</b>	<b>11.140</b>
<b>Net book amount</b>		
<b>Balance at 31 December</b>	<b>97.441</b>	<b>101.193</b>

Investment property includes an apartment situated at 55 Milou street, Archangelos, Nicosia, Cyprus.

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 19. Goodwill

	Goodwill EUR
<b>Cost</b>	
Balance at 1 January 2018	<u>4.131.632</u>
<b>Balance at 31 December 2018/ 1 January 2019</b>	<b>4.131.632</b>
Additions from acquisitions of subsidiary	26.769
Goodwill eliminated on disposal of subsidiary	<u>(3.418.080)</u>
<b>Balance at 31 December 2019</b>	<b><u>740.321</u></b>
<b>Net book amount</b>	
<b>Balance at 31 December 2019</b>	<b><u>740.321</u></b>
<b>Balance at 31 December 2018</b>	<b><u>4.131.632</u></b>

On 28 December 2016, Vonpende Holdings Limited acquired 52% of Lebset Development Limited and this resulted into a goodwill of EUR 0,7 millions. The main operations of Lebset Developments Limited is the holding of investments.

On 30 December, 2016, Vonpende Holdings Limited acquired 76,03% of Linge Enterprises Limited and 52,05% of Mezorex Enterprises Limited and this resulted into a goodwill of EUR 0,9 millions and € 3,4 millions respectively.

The main operation of Linge Enterprises Limited, is holding of investments.

The main operations of Mezorex Enterprises Limited, are the holding of investments and investment of its funds.

In December 2017, Vonpende Holdings Limited increased its shareholding to 95,10% in Eyestorn Enterprises Limited, Kirnion Holdings Limited, Lebset Developments Limited and Mezorex Enterprises Limited to 95,08%. The Group disposed its interest Linge Enterprises Limited in 2017 and realized a profit of EUR885.681.

In February 2019, the Group increased its shareholding to 100% in Eyestorn Enterprises Limited, Kirnion Holdings Limited and Lebset Development Limited to 100%. The Group disposed its interest in Mezorex Enterprises Limited in September 2019 and realized a loss of EUR 9.252.343.

In February 2019, Vonpende Holdings P.L.C. acquired 67% of Winncom Technologies Holding Limited and this resulted into a goodwill of EUR 26.769. The main operation of Winncom Technologies Holding Limited is that of an investment holding company. Company Winncom Technologies Holding Limited has two subsidiaries Winncom Technologies EU Limited and Winncom Technologies Corp.

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 20. Investments in subsidiaries

	2019 EUR	2018 EUR
Balance at 1 January	65.385.186	142.451.198
Additions	24.698.571	11.888
Disposals	(5.715.700)	(318.498)
Reversal of impairment	-	244.888
Fair value adjustment	(32.326.040)	(77.004.290)
<b>Balance at 31 December</b>	<b>52.042.017</b>	<b>65.385.186</b>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2019 Holding %	2018 Holding %
LLC "Hotel"	Russia	Purchase and sale of own non-residential immovable property	100	100
LLC "Capitalstroyinvest"	Russia	Purchase and sale of own non-residential immovable property	100	100
LLC "Community-Group"	Russia	Letting and management of own and rented realty	100	100
CJSC "Ezhin-1"	Russia	Letting and management of own and rented realty	100	100
CJSC "Kapmar-1"	Russia	Letting and management of own and rented untenable realty	100	100
LLC "Karington"	Russia	Letting and maintenance of own or rented untenable realty	-	100
LLC "Estate Finance"	Russia	Wholesale non-specialized	70	70
LLC "MBK"	Russia	Activity in the field of law	100	100
CJSC "VIMS"	Russia	Investments in securities	100	51
JSC "Trading Town "Cheremushkinskiy"	Russia	Letting of own realty	56,001	56,001
CJSC "Astra Vosem"	Russia	Letting of own and rented untenable realty	100	-

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 20. Investments in subsidiaries (continued)

LLC "NITS"	Russia	Letting and management of own or rented untenable realty	100	100
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Involvement with unconsolidated entities.

The Company did not consolidate the above subsidiaries as they are individually and collectively immaterial to consolidate.

### 21. Interest bearing bonds

	2019 EUR	2018 EUR
Balance at 1 January	2.514.217	2.515.045
Additions	-	56.404
Disposals	(2.514.217)	-
Repayments	-	(57.232)
<b>Balance at 31 December</b>	<b>-</b>	<b>2.514.217</b>

The effective interest rate on investment in debt securities is 2,50% plus annual Euro Libor, and these debt securities mature on 28 February 2021.

Purchase and sales of debt instruments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. The cost of the purchase includes transactions costs. The investments are subsequently carried at amortised cost using the effective yield method.

Debt instruments are classified as non-current assets, unless they mature within twelve months from the reporting date or unless they will need to be sold to raise operating capital.

### 22. Other financial assets at amortised cost

	2019 EUR	2018 EUR
Balance at 1 January	284.627.053	287.928.725
Additions	-	4.325.200
Redemption	(270.009.898)	(8.562.529)
Interest accrued	1.170.929	7.220.657
Interest repayments	(2.868.467)	(6.285.000)
<b>Balance at 31 December</b>	<b>12.919.617</b>	<b>284.627.053</b>

Debt investments at amortised cost represent 12.820 subordinated non-secured, non-guaranteed callable coupon-bonds of nominal value of EUR 1.000 each, which are subject to a floating interest rate equal to the 12-month EUR Libor, in force on the first calendar day of the year plus 2,80% per annum and are repayable by 2029.

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 23. Loans receivable

	2019 EUR	2018 EUR
Loans receivable	<u>530.525.257</u>	751.279.032
Less current portion	<u>530.525.257</u>	751.279.032
	-	(144.462.124)
Non-current portion	<u>530.525.257</u>	<u>606.816.908</u>

The loans are repayable as follows:

	2019 EUR	2018 EUR
Within one year	-	144.462.124
Between one and five years	<u>530.198.885</u>	606.816.908
After five years	<u>326.372</u>	-
	<u>530.525.257</u>	<u>751.279.032</u>

The exposure of the Group to credit risk in relation to loans receivable is reported in note 7 of the consolidated financial statements.

The fair value of receivable loans approximates to their carrying amounts as presented above.

### 24. Inventories

	2019 EUR	2018 EUR
Finished products and goods for resale	<u>2.424.479</u>	-
	<u>2.424.479</u>	-

The cost of inventories recognised as expense and included in "cost of sales" amounted to EUR10.838.281.

Inventories are stated at cost.

### 25. Trade and other receivables

	2019 EUR	2018 EUR
Trade receivables	<u>2.690.699</u>	1.541
Vat receivable	<u>21.726</u>	-
Promissory notes receivable	<u>675</u>	2.218.174
Deposits and prepayments	<u>4.399</u>	18.853
Other receivables	<u>6.308.446</u>	31.968
Corporation tax receivable	<u>29.320</u>	-
	<u>9.055.265</u>	<u>2.270.536</u>

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

The exposure of the Group to credit risk and impairment losses in relation to trade and other receivables is reported in note 7 of the consolidated financial statements.

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 26. Financial assets at fair value through profit or loss

	2019 EUR	2018 EUR
Balance at 1 January	-	-
Additions	203.157	-
Change in fair value	3.417	-
Exchange differences	(1.106)	-
<b>Balance at 31 December</b>	<b>205.468</b>	<b>-</b>

	Fair values 2019 EUR	Cost 2019 EUR	Fair values 2018 EUR	Cost 2018 EUR
Equity securities listed on a Stock Exchange	98.982	99.077	-	-
Debt securities listed on a Stock Exchange	106.486	104.080	-	-
	<b>205.468</b>	<b>203.157</b>	<b>-</b>	<b>-</b>

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

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

### 27. Cash and cash equivalents

Cash balances are analysed as follows:

	2019 EUR	2018 EUR
Cash at bank	5.348.881	2.551.155
	<b>5.348.881</b>	<b>2.551.155</b>

The exposure of the Group to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 7 of the consolidated financial statements.

### 28. Share capital

	2019 Number of shares	2019 EUR	2018 Number of shares	2018 EUR
<b>Authorised</b>				
Ordinary shares of EUR 12,50 each	253.600	3.170.000	183.600	2.295.000
	<b>253.600</b>	<b>3.170.000</b>	<b>183.600</b>	<b>2.295.000</b>
<b>Issued and fully paid</b>				
Balance at 1 January	174.172	2.177.150	8.000	100.000
Issue of shares	-	-	166.172	2.077.150
<b>Balance at 31 December</b>	<b>174.172</b>	<b>2.177.150</b>	<b>174.172</b>	<b>2.177.150</b>



# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 28. Share capital (continued)

#### Authorised capital

On 7 August 2019, the authorised share capital of the Company was increased by 70.000 ordinary shares of nominal value of EUR 12,50 each.

### 29. Borrowings

	2019 EUR	2018 EUR
<b>Current borrowings</b>		
Trade loans payable	-	113.646.947
<b>Non-current borrowings</b>		
Trade loans payable	<u>566.223.894</u>	<u>1.041.284.853</u>
<b>Total</b>	<u><b>566.223.894</b></u>	<u><b>1.154.931.800</b></u>

Maturity of non-current borrowings:

	2019 EUR	2018 EUR
Within one year	-	113.646.947
Between one and five years	<u>368.231.181</u>	<u>1.041.284.853</u>
After five years	<u>197.992.713</u>	<u>-</u>
	<u><b>566.223.894</b></u>	<u><b>1.154.931.800</b></u>

### 30. Trade and other payables

	2019 EUR	2018 EUR
Trade payables	<u>2.143.844</u>	186.938
Advances received for subsidiary disposal	-	3.586.688
Amounts owned to group undertaking	<u>2.474.735</u>	137.500
Social insurance and other taxes	<u>17.663</u>	1.986
Tenants deposits	<u>1.170</u>	1.170
Accruals	<u>866.596</u>	129.333
Other creditors	<u>57.511</u>	-
Deferred income	<u>381.158</u>	-
Defence tax on payable dividends	-	18.726
Defence tax on rent payable	<u>8</u>	19
Payables to related parties	<u>87.563.095</u>	-
	<u><b>93.505.780</b></u>	<u><b>4.062.360</b></u>

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

### 31. Current tax liabilities

	2019 EUR	2018 EUR
Corporation tax	<u>20.938</u>	19.288
Special contribution for defence	<u>776</u>	113
	<u><b>21.714</b></u>	<u><b>19.401</b></u>

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 32. Operating Environment of the Group

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID- 19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures have slowed down the economies both in Cyprus but globally as well with the potential of having wider impacts on the respective economies as the measures persist for a greater period of time.

This operating environment may have a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group'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.

The Company's Management is unable to predict all developments which could have an impact on the Cyprus economy and consequently, what effect, if any, they could have on the future financial performance, cash flows and financial position of the Group.

On the basis of the evaluation performed, the Group's management has concluded that no provisions or impairment charges are necessary. The Company's Management believes that it is taking all the necessary measures to maintain the viability of the Group and the smooth conduct of its operations in the current business and economic environment.

### 33. Related party transactions

The following transactions were carried out with related parties:

#### 33.1 Directors' remuneration

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

	<b>2019</b>	<b>2018</b>
	<b>EUR</b>	<b>EUR</b>
Directors' fees	<b>91.058</b>	27.000
Director services	<b>15.000</b>	20.250
	<b>106.058</b>	47.250

# VONPENDE HOLDINGS P.L.C.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

### 34. Significant subsidiaries

In year 2019 the Group includes the Company and the below listed subsidiaries. Material subsidiary Wing Hang Enterprises Ltd was incorporated in Hong Kong on 30 August 1999 as a private company with limited liability and transferred domicile to Nevis on 5 December 2003. From 5 July, 2017, Wing Hang Enterprises Limited was registered in accordance with section 354H of the Companies Law Cap. 113, as a company continuing in the Republic of Cyprus under the name of Wing Hang Enterprises (Cyprus) Limited. The Group's principal activities are the receiving and granting of loans, the trading in investments and acting as a principal in trading of cement and other products and commodities.

Name	Country of Incorporation	Principal activities	31 December 2019 %	31 December 2018 %
Wing Hang Enterprises (Cyprus) Limited	Cyprus	Trading in financial instruments and receiving and granting of loans	100	100
Eyestorn Enterprises Limited	Cyprus	Holding of investments and receiving and granting of loans	100	95,10
Kirnione Holdings Limited	Cyprus	Trading in investments and investment of its funds	100	95,10
Lebset Developments Limited	Cyprus	Holding of investments	100	95,10
Mezorex Enterprises Limited	Cyprus	Holding of investments and investment of its funds	-	95,10
Winncom Technologies Holding Limited	Ireland	Investment holding Company	67	-

### 35. Contingent liabilities

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

### 36. Commitments

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

### 37. Events after the reporting period

In early 2020, the Group's short term investment Linxton Investments Limited commenced liquidation procedures. On 3 January 2020, the share in the charter capital of the LLC "Business Active", a company duly registered under the laws of the Russian Federation in the amount of 90% with a nominal value of RUB 374.133.771, owned by Linxton Investments Limited was transferred as liquidation proceeds to the Company.

On 18 February, 2020 the Group's investment in Eyestorn Enterprises Limited was liquidated.

The Group's investment in LLC "Capitalstroyinvest" was fully disposed according to the preliminary agreement dated 6 February 2020.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

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

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.

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

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.

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

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

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