

METRANACO PUBLIC COMPANY LTD

REPORT AND FINANCIAL STATEMENTS
31 December 2018

METRANACO PUBLIC COMPANY LTD

REPORT AND FINANCIAL STATEMENTS

31 December 2018

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METRANACO PUBLIC COMPANY LTD

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Ding-Shin Chang - Appointed on 18 February 2019
Pei-Chen Wu - Appointed on 18 February 2019
Costas Constantinou - Appointed on 18 November 2016 and resigned on 18 February 2019
Andreas Leonidou - Appointed on 18 November 2016 and resigned on 18 February 2019
A.I.L. Nominee Services Ltd - Appointed on 14 October 2016 and resigned on 18 November 2016

Company Secretary:

A.I.L. Nominee Services Ltd - Appointed on 14 October 2016

Independent Auditors:

Ekkeshis Ierodiakonou Ltd
Certified Public Accountants and Registered Auditors
39 Themistocles Dervis street
Off. 102
1066, Nicosia

Registered office:

15 Agion Omologiton
1080 Nicosia, Cyprus

Registration number:

HE361232

METRANACO PUBLIC COMPANY LTD

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2018.

Principal activities and nature of operations of the Company

The Company remained dormant during the year.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 6, 7 and 13 of the financial statements.

Share capital

Authorised capital

Under its Memorandum the Company fixed its share capital at 1,000 ordinary shares of nominal value of €1 each. On 18 November 2016 the Company increased its authorised share capital to 26,000 ordinary shares of nominal value of €1 each and on 29 June 2018 the Company made a further increase of its authorised share capital to 1,026,000 ordinary shares of nominal value of €1 each.

Issued capital

Upon incorporation on 14 October 2016 the Company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par. On 18 November 2016 the Company issued additional 25,000 ordinary shares of €1 each at par.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2018 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 2018.

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.

Independent Auditors

The Independent Auditors, Ekkeshis Ierodiakonou 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,

Ding-Shin Chang
Director

Nicosia, 19 April 2019



Independent Auditor's Report

To the Members of Metranaco Public Company Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Metranaco Public Company Ltd (the "Company"), which are presented in pages 6 to 23 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the "International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants" (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

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

Responsibilities of the Board of Directors for the Financial Statements

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



Independent Auditor's Report (continued)

To the Members of Metranaco Public Company Ltd

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal Requirements

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

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



EKKESHIS+TERODIAKONOU

Independent Auditor's Report (continued)

To the Members of Metranaco Public Company Ltd

Other Matter

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



Constantinos Ekkeshis
Certified Public Accountant and Registered Auditor
for and on behalf of
Ekkeshis Terodiakonou Ltd
Certified Public Accountants and Registered Auditors

Nicosia, 19 April 2019

METRANACO PUBLIC COMPANY LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2018

	Note	2018 €	2017 €
Administration expenses		-	-
		<u>(1,350)</u>	<u>(1,350)</u>
Loss before tax		(1,350)	(1,350)
Net loss for the year/period		(1,350)	(1,350)
Other comprehensive income		-	-
Total comprehensive income for the year/period		<u>(1,350)</u>	<u>(1,350)</u>

The notes on pages 10 to 23 form an integral part of these financial statements.

METRANACO PUBLIC COMPANY LTD

STATEMENT OF FINANCIAL POSITION

31 December 2018

	Note	2018 €	2017 €
ASSETS			
Non-current assets			
Current assets			
Receivables	10	<u>25,650</u>	26,000
		<u>25,650</u>	26,000
Total assets		<u>25,650</u>	<u>26,000</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	<u>26,000</u>	26,000
Accumulated losses		<u>(2,700)</u>	(1,350)
Total equity		<u>23,300</u>	<u>24,650</u>
Current liabilities			
Trade and other payables	12	<u>2,350</u>	1,350
		<u>2,350</u>	1,350
Total equity and liabilities		<u>25,650</u>	<u>26,000</u>

On 19 April 2019 the Board of Directors of Metranaco Public Company Ltd authorised these financial statements for issue.

.....
Ding-Shin Chang
Director

.....
Pei-Chen Wu
Director

The notes on pages 10 to 23 form an integral part of these financial statements.

METRANACO PUBLIC COMPANY LTD

STATEMENT OF CHANGES IN EQUITY 31 December 2018

	Note	Share capital €	Accumulated losses €	Total €
Comprehensive income				
Net loss for the period		-	(1,350)	(1,350)
Transactions with owners				
Issue of share capital	11	26,000	-	26,000
Total transactions with owners		<u>26,000</u>	<u>-</u>	<u>26,000</u>
Balance at 31 December 2017/ 1 January 2018				
		26,000	(1,350)	24,650
Comprehensive income				
Net loss for the year		-	(1,350)	(1,350)
Balance at 31 December 2018				
		<u>26,000</u>	<u>(2,700)</u>	<u>23,300</u>

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

The notes on pages 10 to 23 form an integral part of these financial statements.

METRANACO PUBLIC COMPANY LTD

CASH FLOW STATEMENT

31 December 2018

	2018	2017
	€	€
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	<u>(1,350)</u>	(1,350)
	(1,350)	(1,350)
Changes in working capital:		
Decrease in receivables	350	-
Increase in trade and other payables	<u>1,000</u>	1,350
Cash generated from operations	<u>-</u>	-
CASH FLOWS FROM INVESTING ACTIVITIES	<u>-</u>	-
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	-
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year/period	<u>-</u>	-
Cash and cash equivalents at end of the year/period	<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 10 to 23 form an integral part of these financial statements.

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1. Incorporation and principal activities

Country of incorporation

The Company Metranaco Public Company Ltd (the "Company") was incorporated in Cyprus on 14 October 2016 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 15 Agion Omologiton, 1080 Nicosia, Cyprus.

Change of Company name

On 6 December 2016, the Company changed its name from Metranaco Ltd to Metranaco Public Company Ltd.

Principal activities

The Company remained dormant during the year.

2. Basis of preparation

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

3. Adoption of new or revised standards and interpretations

As from 1 January 2018, the Company adopted all the IFRSs and International Accounting Standards (IAS), which are relevant to its operations.

The adoption of these Standards had a material effect on the financial statements as follows:

- IFRS 9 "Financial Instruments"
- IFRS 15 "Revenue from contracts with customers"

As explained below, in accordance with the transition provisions of IFRS 9 and IFRS 15, the Company has elected the simplified approach for adoption of the standards. Accordingly, IFRS 9 and IFRS 15 were adopted without restating the comparative information. The comparative information is prepared in accordance with IAS 39 and IAS 18 and IAS 11, and the impact of adoption has been recognised in the opening retained earnings.

(i) IFRS 9 "Financial instruments"

IFRS 9 "Financial instruments" replaces the provisions of IAS 39 that relate to recognition and derecognition of financial instruments and classification and measurement of financial assets and financial liabilities. IFRS 9 further introduces new principles for hedge accounting and a new forward-looking impairment model for financial assets.

The new standard requires debt financial assets to be classified into two measurement categories: those to be measured subsequently at fair value (either through other comprehensive income (FVOCI) or through profit or loss (either FVTPL or FVPL) and those to be measured at amortized cost. The determination is made at initial recognition. For debt financial assets the classification depends on the entity's business model for managing its financial instruments and the contractual cash flows characteristics of the instruments. For equity financial assets it depends on the entity's intentions and designation.

In particular, 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. 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 fair value through other comprehensive income. Lastly, assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial Instruments" (continued)

For investments in equity instruments that are not held for trading, the classification depends on whether the entity has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. If no such election has been made or the investments in equity instruments are held for trading they are required to be classified at fair value through profit or loss.

IFRS 9 also introduces a single impairment model applicable for debt instruments at amortised cost and fair value through other comprehensive income and removes the need for a triggering event to be necessary for recognition of impairment losses. The new impairment model under IFRS 9 requires the recognition of allowances for doubtful debts based on expected credit losses (ECL), rather than incurred credit losses as under IAS 39. The standard further introduces a simplified approach for calculating impairment on trade receivables as well as for calculating impairment on contract assets and lease receivables; which also fall within the scope of the impairment requirements of IFRS 9.

For financial liabilities, the standard retains most of the requirements of IAS 39. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

With the introduction of IFRS 9 "Financial Instruments", the IASB confirmed that gains or losses that result from modification of financial liabilities that do not result in derecognition shall be recognized in profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the "hedge ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The Company has adopted IFRS 9 with a date of transition of 1 January 2018, which resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

The Company's new accounting policies following adoption of IFRS 9 at 1 January 2018 are set out in note 4.

Impact of adoption

In accordance with the transition provisions in IFRS 9, the Company has elected the simplified transition method for adopting the new standard. Accordingly, the effect of transition to IFRS 9 was recognised as at 1 January 2018 as an adjustment to the opening retained earnings (or other components of equity, as appropriate). In accordance with the transition method elected by the Company for implementation of IFRS 9 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 39. Consequently, the revised requirements of IFRS 7 "Financial Instruments: Disclosures" have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

On 1 January 2018 for debt instruments held by the Company, management has assessed which business models apply to the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI test). In addition separate assessment for equity instruments held by the Company was performed, in respect of whether they are held for trading or not. As a result of both assessments Management has classified its debt and equity instruments into the appropriate IFRS 9 categories.

As a result of the adoption of IFRS 9 the Company revised its impairment methodology for each class of assets subject to the new impairment requirements. From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, cash and cash equivalents and bank deposits with original maturity over 3 months and loan commitments and financial guarantees. The impairment methodology applied depends on whether there has been a significant increase in credit risk and whether the debt instruments qualify as low credit risk and whether the debt investments qualify as low credit risk.

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial instruments" (continued)

The Company has the following types of assets that are subject to IFRS 9's new expected credit loss model: trade receivables, contract assets, financial assets at amortised cost, cash and cash equivalents, bank deposits with original maturity over 3 months, debt financial assets at FVOCI and loans commitments and financial guarantees.

The Company has adopted the simplified expected credit loss model for its trade receivables, trade receivables with significant financing component, lease receivables and contract assets, as required by IFRS 9, paragraph 5.5.15, and the general expected credit loss model for financial assets at amortised cost, cash and cash equivalents, bank deposits with original maturity over 3 months, debt financial assets at FVOCI and loan commitments and financial guarantees.

- *Investments in equity securities previously classified as financial assets at FVTPL:*

Equity securities - held for trading are required to be held as FVTPL under IFRS 9. As a result there was no impact on the amounts recognised in relation to the investments in equity securities held for trading that were previously classified as financial assets at FVTPL from the adoption of IFRS 9. Under IAS 39 equity securities designated as at fair value through profit or loss at inception were those that were managed and their performance was evaluated on a fair value basis, in accordance with the Company's documented investment strategy. Information about these financial assets was provided internally on a fair value basis to the Company's key management personnel. Under IFRS 9 investments in equity instruments are always measured at fair value, so as a result there was no impact from the adoption of IFRS 9 and other equity securities other than those held for trading were classified as financial assets at FVTPL.

- *Other financial instruments:*

For all other financial assets Management assessed that the Company's business model for managing the assets is "hold to collect" and these assets meet SPPI tests. As a result all other financial assets were classified as financial assets at amortised cost and reclassified from the category "loans and receivables" under IAS 39, which was "retired". Previously under IAS 39 these financial assets were also measured at amortised cost. Thus there were no impact of adoption of IFRS 9 as of 1 January 2018.

At 31 December 2017, all of the Company's financial liabilities were carried at amortised cost. Starting from 1 January 2018 the Company's financial liabilities continued to be classified at amortised cost.

The assessment of the impact of adoption of IFRS 9 on the Company's accounting policies required management to make certain critical judgments in the process of applying the principles of the new standard. The judgments that had the most significant effect on Management's conclusion are disclosed in note 7.

- *Assets reclassified to amortised cost category and the assets reclassified out of fair value through profit or loss to fair value through other comprehensive income category*

The main reasons for reclassifications were as follows:

- ◆ Securities within the liquidity portfolio identified as held to collect. Following the assessment of its business model for securities within the Company's liquidity portfolio, which are mostly held to collect the contractual cash flows and sell, the Company has identified certain securities which are managed separately and for which the past practice has been (and the Company's intention remains) hold to collect the contractual cash flows. Consequently, the Company has assessed that the appropriate business model for this group of securities is held to collect. These securities, which were previously classified as AFS, were reclassified at AC from the date of initial application. The remainder of the Company's liquidity portfolio is held to collect contractual cash flows and sell.
- ◆ Reclassification from retired categories with no change in measurement. In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were retired, with no changes to their measurement basis:

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

3. Adoption of new or revised standards and interpretations (continued)

(i) IFRS 9 "Financial Instruments" (continued)

- those previously classified as AFS and now classified as measured at FVOCI; and
- those previously classified as HTM and now classified as measured at AC.

The Company did not apply the exemption to treat the fair value of the above items as their gross carrying value at the date of initial application of IFRS 9.

(ii) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 "Revenue from contracts with customers" and related amendments superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. The new standard replaces the separate models for recognition of revenue for the sale of goods, services and construction contracts under previous IFRS and establishes uniform requirements regarding the nature, amount and timing of revenue recognition. IFRS 15 introduces the core principle that revenue must be recognised in such a way to depict the transfer of goods or services to customers and reflect the consideration that the entity expects to be entitled to in exchange for transferring those goods or services to the customer; the transaction price.

The new standard provides a principle-based five-step model that must be applied to all categories of contracts with customers. Any bundled goods or services must be assessed as to whether they contain one or more performance obligations (that is, distinct promises to provide a good or service). Individual performance obligations must be recognised and accounted for separately and any discounts or rebates in the contract price must generally be allocated to each of them.

The amendments to IFRS 15 clarify how to identify a performance obligation in a contract, how to determine whether a Company is a principal (that is, the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided) and how to determine whether the revenue from granting a license should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a Company when it first applies the new standard.

The Company's new accounting policies following adoption of IFRS 15 at 1 January 2018 are set out below in note 4.

Impact of adoption

In accordance with the transition provisions of IFRS 15, the Company has elected the simplified transition method for adopting the new standard. Accordingly, the cumulative effect of transition to IFRS 15 was recognized as at 1 January 2018 as an adjustment to opening retained earnings directly in equity.

The Company has applied IFRS 15 retrospectively only to contracts that are not completed contracts at the date of initial application and adopted the practical expedient not to retrospectively restate contracts for which contract modifications occurred before the date of initial application. In accordance with the transition method elected by the Company for implementation of IFRS 15 the comparatives have not been restated but are stated based on the previous policies which comply with IAS 18 and IAS 11 and related interpretations.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in note 17.

Financial assets - Classification

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

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

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

Financial assets - Classification (continued)

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

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

All other financial assets are classified as measured at FVTPL.

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

Financial assets - Recognition and derecognition

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

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

Financial assets - Measurement

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

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

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

Financial assets - Measurement (continued)

Debt instruments

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

Equity instruments

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

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

Financial assets - impairment - credit loss allowance for ECL

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

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

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

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

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

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

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

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

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

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

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

Financial assets -Reclassification

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

Financial assets - write-off

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

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (eg 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.

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

Financial assets - modification (continued)

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

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

Financial assets at amortised cost

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

Financial guarantee contracts

Financial guarantee contracts are contracts that require the Company to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee in other income in profit or loss.

At the end of each reporting period, the guarantee is subsequently at the higher of:

- the amount of the loss allowance determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

4. Significant accounting policies (continued)

Credit related commitments

The Company issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. Loan commitments provided by the Company are measured as the amount of the loss allowance calculated under IFRS 9.

At the end of each reporting period, the commitments are measured at:

- (i) the remaining unamortised balance of the amount at initial recognition, plus
- (ii) the amount of the loss allowance determined based on the expected credit loss model.

If the loan commitments are provided at a below-market interest rate, they are measured at the higher of:

- (i) the amount of the loss allowance determined based on the expected loss model and
- (ii) the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

For loan commitments (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the statement of financial position. However, for contracts that include both a loan and an undrawn commitment and the Company cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

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.

Share capital

Ordinary shares are classified as equity.

5. New accounting pronouncements

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

6. Financial risk management

Financial risk factors

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

6.1 Credit risk

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

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

6. Financial risk management (continued)

6.1 Credit risk (continued)

(i) Risk management

Credit risk is managed on a group basis.

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

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

(ii) Impairment of financial assets

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

Trade receivables and contract assets

(iii) Credit related commitments

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

6.2 Liquidity risk

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

6.3 Capital risk management

Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

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

7. 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.

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

7. Critical accounting estimates, judgments and assumptions (continued)

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgements in applying the Company's accounting policies

- **Impairment of financial assets**

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

8. Operating loss

	2018	2017
	€	€
Operating loss is stated after charging the following items:		
Auditors' remuneration	<u>1,000</u>	<u>1,000</u>

9. Tax

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

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

10. Receivables

	2018	2017
	€	€
Shareholders' current accounts - debit balances (Note 14.1)	<u>25,650</u>	26,000
	<u>25,650</u>	<u>26,000</u>

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

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

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

11. Share capital

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
Authorised				
Ordinary shares of €1 each	1,000	1,000	1,000	1,000
Issue of additional shares of €1 each on 18/11/2016	25,000	25,000	25,000	25,000
Issue of additional shares of €1 each on 29/06/2018	<u>1,000,000</u>	<u>1,000,000</u>	-	-
	<u>1,026,000</u>	<u>1,026,000</u>	26,000	26,000
		€		€
Issued and fully paid				
Balance at 1 January/14 October	26,000	26,000	-	-
Issue of shares	-	-	26,000	26,000
Balance at 31 December	<u>26,000</u>	<u>26,000</u>	26,000	26,000

Authorised capital

Under its Memorandum the Company fixed its share capital at 1,000 ordinary shares of nominal value of €1 each. On 18 November 2016 the Company increased its authorised share capital to 26,000 ordinary shares of nominal value of €1 each and on 29 June 2018 the Company made a further increase of its authorised share capital to 1,026,000 ordinary shares of nominal value of €1 each.

Issued capital

Upon incorporation on 14 October 2016 the Company issued to the subscribers of its Memorandum of Association 1,000 ordinary shares of €1 each at par. On 18 November 2016 the Company issued additional 25,000 ordinary shares of €1 each at par.

12. Trade and other payables

	2018 €	2017 €
Accruals	<u>2,350</u>	1,350
	<u>2,350</u>	<u>1,350</u>

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

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

13. Operating Environment of the Company

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be 'non-investment grade', the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

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

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 Company.

On the basis of the evaluation performed, the Company'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 Company and the smooth conduct of its operations in the current business and economic environment.

14. Related party transactions

The following transactions were carried out with related parties:

14.1 Shareholders' current accounts - debit balances (Note 10)

	2018	2017
	€	€
Shareholders' current accounts	<u>25,650</u>	26,000
	<u>25,650</u>	<u>26,000</u>

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

15. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2018.

16. Commitments

The Company had no capital or other commitments as at 31 December 2018.

METRANACO PUBLIC COMPANY LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

17. Accounting policies up to 31 December 2017

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows.

18. Events after the reporting period

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

Independent auditor's report on pages 3 to 5

METRANACO PUBLIC COMPANY LTD

DETAILED INCOME STATEMENT

31 December 2018

	Page	2018 €	2017 €
Revenue			
Operating expenses			
Administration expenses	25	<u>(1,350)</u>	<u>(1,350)</u>
Net loss for the year/period before tax		<u>(1,350)</u>	<u>(1,350)</u>

METRANACO PUBLIC COMPANY LTD

SELLING AND DISTRIBUTION EXPENSES

31 December 2018

	2018 €	2017 €
Administration expenses		
Annual levy	350	350
Auditors' remuneration	1,000	1,000
	<u>1,350</u>	<u>1,350</u>