

K + G Complex Public Company Limited

Report and financial statements 31 December 2018

Contents

	Page
Board of Directors and other officers	1
Declaration of Directors and other responsible officers of the Company for the preparation of the financial statements	2
Management Report	3 – 9
Independent auditor's report	10 – 17
Consolidated income statement	18
Consolidated statement of comprehensive income	19
Company's income statement	20
Company's statement of comprehensive income	21
Consolidated balance sheet	22
Company's balance sheet	23
Consolidated statement of changes in equity	24
Company's statement of changes in equity	25
Consolidated statement of cash flows	26
Company's statement of cash flows	27
Notes to the financial statements	28 – 77

K + G Complex Public Company Limited

Board of Directors and other officers

Board of Directors

George St. Galatariotis, Executive Chairman
Costas St. Galatariotis, Director
Stavros G. St. Galatariotis, Director
Michalis Christoforou, Director
Michalis Mousiouttas (appointed on 19/1/2018 and reappointed on 29/6/2018)
Antonis Antoniou Latouros (appointed on 19/1/2018 and reappointed on 29/6/2018)

Financial Manager

Elena Stylianou

Company Secretary

C.C.C. Secretarial Limited

197 Makarios III Avenue
Gala Tower
CY-3030 Limassol
Cyprus

Auditors

PriceWaterhouseCoopers Ltd
City House
Karaiskaki 6
3032 Limassol

Registered office

197 Makarios III Avenue
Gala Tower
CY-3030 Limassol
Cyprus

K + G Complex Public Company Limited

Declaration of Directors and other responsible officers of the Company for the preparation of the financial statements

In accordance with Article 9 sections 3 (c) and (7) of the Transparency Requirements (Traded Securities in Regulated Markets) Law of 2007 (N190(I) 2007) as this was amended, we, the members of the Board of Directors and the other responsible officers of the Company for the preparation of the consolidated and separate financial statements of K+G Complex Public Company Limited for the year ended 31 December 2018 we confirm that, to the best of our knowledge:

- (a) the annual consolidated and separate financial statements which are presented on pages 18 to 77:
 - (i) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and in accordance with the provisions of Article 9, section (4) of the Law, and
 - (ii) give a true and fair view of the assets and liabilities, the financial position and the profit or loss of K+G Complex Public Company Limited and the businesses that are included in the consolidated accounts as a total, and
- (b) the Management Report provide a fair review of the developments and the performance of the business as well as the financial position of K+G Complex Public Company Limited and the businesses that are included in the consolidated accounts as a total, together with a description of the main risks and uncertainties that they are facing.

Members of the Board of Directors

Name and surname	Signature
George St. Galatariotis (Executive Chairman)	
Costas St. Galatariotis (Director)	
Stavros G. St. Galatariotis (Director)	
Michalis Christoforou (Director)	
Michalis Mousiouttas (Director)	
Antonis Antoniou Latouros (Director)	

Responsible for the preparation of the financial statements

Name and surname	Position	Signature
Elena Stylianou	Financial Manager	

K + G Complex Public Company Limited

Management Report

1 The Board of Directors of K+G Complex Public Company Limited (the “Company”), and its subsidiary collectively referred to as the ‘Group’, presents its management report together with the audited consolidated financial statements of the Group and the audited separate financial statements of the Company for the year ended 31 December 2018.

Principal activities

2 The principal activities of the Company and the Group, which are unchanged from last year, are the following:

- (a) Development and sale of land located in the Amathus area of Limassol
- (b) Holding of investments

3 There has been no change in the structure of the Company/Group during the year. The Company/Group does not intend to make any redemption or merger.

Review of developments, position and performance of the Group’s and the Company’s operations

4 During the year ended 31 December 2018, the Group's turnover increased by 39%, from €3.288 thousand to €4.570 thousand, due to an increase in sales of land for development. Due to the increase in turnover, both gross profit and operating profit increased compared to the year 2017. Despite the increase in operating profit, the Group's net profit for the year ended 31 December 2018 amounted to €3.582 thousand compared to €3.549 thousand in the year 2017. This is due to the fact that the results of the associated, The Cyprus Cement Public Company Limited, are reduced in 2018 compared to 2017. At 31 December 2018 the Group's total assets were €100.748 thousand (2017: €102.838 thousand) and the net assets were €90.250 thousand (2017: €88.585 thousand).

5 During the year ended 31 December 2018, the Company's turnover is increased by 39%, from €3.288 thousand to €4.570 thousand, due to an increase in sales of land for development. Due to the increase in turnover, both gross profit and operating profit increased compared to the year 2017. During the year, the Company received dividends from its associated company The Cyprus Cement Public Company Limited and its subsidiary company, Galatex Tourist Enterprises Ltd, amounting to €883 thousand and €115 thousand respectively. As a result, the Company's net profit for the year ended 31 December 2018, amounted to €3.340 thousand compared €2.076 thousand in 2017. At 31 December 2018 the total assets of the Company were €48.182 thousand (2017: €50.300 thousand) and the total net assets were €35.005 thousand (2017: €33.337 thousand).

6 The financial position, development and performance of the Company and the Group as presented in these financial statements are considered as expected.

K + G Complex Public Company Limited

Management Report (continued)

Non-financial information's

7 The Company/Group takes into account and complies with all health, safety and environmental regulations that affect the operations in which the Company/Group operates. In this context, the Board of Directors monitors on an ongoing basis non-financial Key Performance Indicators in relation to health, safety and environmental regulations. Until now, the Company/Group has not violated any of the aforementioned regulations. The Company/Group is not involved in any legal, governmental or arbitral proceedings that will result in any material obligations to the Company/Group. This is in line with the general culture and vision of the Company/Group.

Principal risks and uncertainties

8 The major risks and uncertainties of the Group and the Company are disclosed in Notes 6, 7 and 29. The Group and the Company's activities are subject to various risks and uncertainties, the most significant of which are the risks connected to the construction and tourist industry. These activities are influenced by a number of factors which include, but are not limited to:

- The economic environment of Cyprus;
- National and international economic and geopolitical factors;
- The impact of war, terrorist acts, diseases and epidemics which may impact tourists' arrivals on the island;
- Increased internal competition as well as competition from neighbouring countries;

9 The Group/Company monitors these risks through various mechanisms and revises its strategy in order to mitigate, to the extent this is possible, the impact of such risks.

Use of financial instruments by the Group and the Company

10 The Group's/Company's operations expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk.

11 The Company's and the Group's risk management program focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Company's and the Group's financial performance. Risk management is carried out by the Management.

Interest rate risk associated with cash flow and fair value

12 The Group's/Company's interest rate risk arises from interest-bearing assets and long term borrowings. Interest-bearing assets and long term borrowings issued at fixed rates, expose the Group and the Company to fair value interest rate risk. Interest-bearing assets and long term borrowings issued at floating interest rates, expose the Group and the Company to Liquidity risk.

K + G Complex Public Company Limited

Management Report (continued)

13 At 31 December 2018, the Group's/Company's interest-bearing assets and liabilities issued at fixed interest rate amounted to €8.104/€8.104 thousand and €0/€3.008 thousand respectively. The Group's/Company's liabilities bearing floating interest rate amounted to €9.641/€9.641 thousand respectively. The Group's/Company's management monitors the fluctuations in interest rates on a continuous basis and acts accordingly. The Group/Company does not apply hedge accounting for fair value interest rate risk.

Credit risk

14 Credit risk arises from deposits with banks and financial institutions as well as from exposure to credits from sales to customers and balances with related companies, including outstanding receivables and binding transactions. The Management does not expect any damages from non-fulfilment of obligations on behalf of these parties.

15 For banks and financial institutions, only organizations that are rated by independent parties are accepted. The Management estimates the customer's credit quality, taking into account his financial situation, past experience and other factors.

16 On 1 January 2018, the Group/Company adopted IFRS 9 "Financial Instruments". In accordance with IFRS 9 the credit risk management policies were amended taking into account the expected credit loss model adopted by IFRS 9. For more details, see Note 6 - Credit risk.

Liquidity risk

17 The Management controls current liquidity on the basis of expected cash flows. Prudent liquidity risk management involves the management of sufficient cash and the availability of finance through a sufficient amount of blocked credit facilities. The Group/Company Management believes that it is successful in managing the Group/Company exposure to liquidity risk.

Future developments of the Company and the Group

18 The Board of Directors does not expect any significant changes or developments in Company's and the Group's operations, financial position and performance for the foreseeable future.

Results

19 The results of the Group and the Company for the year are set out on pages 18, 19, 20 and 21. After the evaluation of the availability of profits distribution and the liquidity of the Group/Company the shareholders approved the dividends distribution as shown below.

Dividends

20 On 29th June 2018, the Annual General Meeting of Company's Shareholders approved the payment of €0,013 per share, amounted to €1.672, out of the profits of year 2017.

K + G Complex Public Company Limited

Management Report (continued)

Share capital

21 There were no changes to the share capital of the Company during the year 2018.

Board of Directors

22 The members of the 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 2018 except Mr. Michalis Mousiouttas and Antonis Antoniou Latouros who were appointed by the Board of Directors on 19 January 2018 and were re-elected at the Annual General Meeting on 29th June 2018.

23 In accordance with the Company's Articles of Association Messrs. Costas Galatariotis and Stavros Galatariotis, retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

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

Corporate Governance Code

25 The Board of Directors has not adopted the provisions of the Corporate Governance Code. The Company is not obliged to adopt the provisions of the code as its titles are traded at the Alternative Market of the Cyprus Stock Exchange. The main reason for the non- adoption of the Corporate Governance Code is that the costs to be incurred by the adoption of the Corporate Governance Code would be disproportionately higher than any anticipated benefits that may be derived from its adoption.

26 The Board of Directors, is responsible, for the establishment of sufficient internal control procedures and risks control mechanisms, for the drafting, preparation, content and publication of all periodical information that is required for listed companies. The responsible person for the preparation of the financial statements is the Financial Manager.

27 Pursuant to the article 78 of the Auditors' Law of 2017, the Board of Directors of the Company has proceeded to the establishment of an Audit Committee on 19 January 2018. The Audit Committee consists of the following members:

- Mr. Antonis Latouros - President of the Committee
- Mr. Michalis Mousiouttas - Member of the Committee
- Mr. Michalis Christoforou - Member of the Committee

K + G Complex Public Company Limited

Management Report (continued)

Corporate Governance Code (continued)

28 The majority of Audit Committee members are Independent Non-Executive Directors. The Committee will meet with external auditors for independent discussion without the presence of Executive Directors. The Audit Committee will review a wide range of financial issues, including annual and semi-annual results, statements and accompanying reports, before submitting them to the Board of Directors, as well as overseeing the procedures for choosing accounting principles and accounting calculations for the Company's financial statements. Also, the Audit Committee advises the Board of Directors on the appointment of external auditors and their fees for audit and non-audit work. The external auditors shall carry out independent and objective audits of internal financial control procedures only to the extent they deem necessary to express an opinion in their report on the accounts. The Audit Committee discusses extensively with the auditors the findings that have arisen during the audit as well as the auditors' report.

Shareholders holding more than 5% of the Company's share capital

29 The shareholders who held more than 5% of the issued share capital of the Company with voting rights on 24th April 2019, are as follows:

	% holding
C.C.C. Holdings & Investments Limited	83,81

30 The Company has not issued any titles with special control rights and there are no restrictions on voting rights.

31 The appointment and replacement of the members of the Board of Directors is done at its Annual General Meeting in accordance with the provisions of the Company's Articles of Association. The Company's Articles of Association provides that the Board of Directors has the power to appoint, at any time, any person as Director and such person that is appointed by the Board of Directors will hold his office until the next Annual General Meeting of the Company.

32 The Company's Articles of Association can be modified by the passing of a special resolution at an Extraordinary General Meeting of the shareholders.

33 The Board of Directors, subject to approval by the Company's shareholders, can proceed with the issue or the purchase of the Company's shares. The issue of any new shares is further subject to the provisions of the Company's Articles of Association, the prevailing law and the principle of fair treatment to all existing shareholders.

34 The Board of Directors consists of 6 members and meetings are convened at regular intervals. The Board of Directors approves the Company's and Group's strategy and supervises the adoption and realization of the Company's and Group's strategic development.

K + G Complex Public Company Limited

Management Report (continued)

Corporate Governance Code (continued)

Directors' interest in the Company's share capital

35 The beneficial interest in the Company's share capital held by each Director, their spouse, children and companies in which they hold directly or indirectly at least 20% of the shares with voting rights in a general meeting, at 31 December 2018 and on 24 April 2019 was as follows:

	Interest at 24 April 2019 %	Interest at 31 December 2017 %
George St. Galatariotis ⁽¹⁾	83,81	83,81
Costas St. Galatariotis ⁽¹⁾	-	-
Stavros G. St. Galatariotis ⁽¹⁾	-	-
Michalis Christoforou	-	-
Tasos Anastasiou ⁽²⁾	-	-
Antonis Antoniou Latouros ⁽³⁾	-	-
Michalis Mousiouttas ⁽³⁾	-	-

(1) The participation percentage share held by Mr George St. Galatariotis includes his indirect participation resulting from family relationships between himself and Stavros G. St. Galatariotis and Costas St. Galatariotis and their indirect participation in C.C.C. Holdings & Investments Limited.

(2) Messrs. Antonis Antoniou Latouros and Michalis Mousiouttas who were appointed as members of the Board of Directors on 19 January 2018, have been re-elected at the Annual General Meeting on 29th June 2018.

Contracts with Directors and related parties

36 Other than the transactions and the balances with the Directors and related parties referred to in Note 28 of the financial statements, there were no other significant contracts with the Company, or its subsidiaries at 31 December 2018 in which the Directors or related parties had a material interest. Related persons include the spouse, minor children and companies in which Directors hold directly or indirectly at least 20% of the voting rights in a general meeting.

Events after the balance sheet date

37 There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

Branches

38 The Company and Group did not operate through any branches during the year.

K + G Complex Public Company Limited

Management Report (continued)

Independent auditors

39 The independent auditors of the Company, Pricewaterhousecoopers Ltd, have expressed their willingness to continue in office. A Resolution authorising the Board of Directors to fix their fee will be proposed at the Annual General Meeting.

By Order of the Board

C.C.C. Secretarial Limited
Secretary

Limassol, 24 April 2019



Independent Auditor's Report

To the Members of K + G Complex Public Company Limited

Report on the Audit of the Consolidated and Separate Financial Statements

Our opinion

In our opinion, the accompanying consolidated financial statements of K + G Complex Public Company Limited (the "Company") and its subsidiary (together the "Group") and the accompanying separate financial statements of the Company give a true and fair view of the consolidated and separate financial position of the Group and Company respectively as at 31 December 2018, and of the consolidated and separate financial performance and the consolidated and separate cash flows of the Group and the Company respectively, 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.

What we have audited

We have audited the consolidated and separate financial statements which are presented in pages 18 to 77 and comprise:

- the consolidated balance sheet as at 31 December 2018;
- the balance sheet of the Company as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the income statement of the Company for the year then ended;
- the statement of comprehensive income of the Company for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the statement of changes in equity of the Company the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the statement of cash flows of the Company for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated and separate financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No.143594). Its registered office is at 3 Themistocles Dervis Street, CY-1066, Nicosia. A list of the company's directors, including for individuals the present and former (if any) name and surname and nationality, if not Cypriot and for legal entities the corporate name, is kept by the Secretary of the company at its registered office. PwC refers to the Cyprus member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.



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 and Separate Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group and the Company throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Audit approach

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Investments in associates</p> <p>Refer to Notes 7 and 20 of the consolidated and separate financial statements.</p> <p>We focused on this matter due to the size of the carrying value of the investment in associate of €88.228 thousands compared to the total assets of the Group, given that the profit of the Group is significantly affected from the share of the associate's profit as well as by the main features that affect the above.</p>	<p>For the fair value of land under development owned by the associate, we discussed with the Management of the Group and assessed the data, assumptions, valuation methodology and calculations made by the associate's management for the estimation of the fair value of the property which is based on data and assumptions of high subjectivity, particularly in relation to the separation of the property into notional zones.</p> <p>The separation of the property into notional zones by the associate's management was done to take into account the diversity and geographic advantages of each zone.</p>

Investments in associates (continued)

In particular, the significant matters that have affected the carrying value of the investment are as follows:

- *Fair value of land for development*

We focused on this matter due to the size of the fair value of the land for development amounting to €237.271 thousands at 31 December 2018 and due to the complexity and high degree of subjectivity of the associate's management's assessment of the fair value of the property, including the high degree of subjectivity in the method used to separate the property into notional zones.

The Group's management estimates that the fair value of land under development has not changed significantly from the fair value as determined at 31 December 2017 (Note 20).

Internal experts of our office, with the required knowledge and skills, have been involved to support us in our assessment of the fair value measurement of the property performed by the management of the associate for the fair value of the land under development and the financial assets at fair value through other comprehensive income owned by the Group's associate.

With the support of internal experts, we examined the calculations made by the associate's management and the technical and mathematical accuracy of the valuation model. We also evaluated the reasonableness of the significant assumptions made by the associate's management through a comparison with observable market data.

For the fair value of financial assets at fair value through other comprehensive income, we evaluated the fair value of the borrowings of the investment and the capital expenditure required until completion which adjusted the fair value of the investment.

We as the group auditors have been involved in the audit work of the reporting unit of the Group for which the audit work was performed by component auditors to conclude whether sufficient appropriate audit evidence in relation to our assessment of the fair value measurement of the investment made by the Group's management and the associate's management has been obtained. Our involvement in that work included, amongst others, review of the audit work in the files of component auditors in scope and frequent communications with component audit teams to ensure that our audit plan was appropriately executed.

-
- *Fair value of financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets)*

We focused on this matter because of the size of the fair value of financial assets at fair value through other comprehensive income of €20.703 thousands at 31 December 2018 and because of the complexity and high degree of subjectivity involved in the associate's management's assessment of the fair value of the investment.

The fair value of the investment was estimated by the Group's management and the associate's management based on the discounted cash flow method for the valuation of the residential apartments building and the EBITDA multiple method for the valuation of the hotel complex.

The fair value of the investment was estimated by the Group's Management and the associate's management at €20.703 thousands at 31 December 2018.

In addition, we evaluated the sensitivity analysis in relation to:

- The effect of the fair value of the property on the profits of the associate company from the change in the separation of the property in notional zones and
- The effect on the fair value of the financial assets at fair value through other comprehensive income in the other comprehensive income of the associate company from the change in the key assumptions.

Finally, we evaluated the adequacy of the disclosures made in Note 20 of the consolidated and separate financial statements in relation to the data, key assumptions and sensitivity analysis on these key assumptions.

The results of the above procedures were satisfactory for the purposes of our audit.



Reporting on other information

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

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

Responsibilities of the Board of Directors and those charged with governance for the Consolidated and Separate Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate financial statements.



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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 and 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 Group's and 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 consolidated and separate 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 and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.



Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Company in 1996 by the Board of Directors for the audit of the financial statements for the year ended 31 December 1996. Our appointment was renewed annually, since then, by shareholder resolution. On 12 May 2005, the Cyprus Stock Exchange was first included in the list of regulated markets prepared by the European Commission and published in the Official Journal of the European Union and as a result, the first financial year in which the Company was designated as a Public Interest Entity (PIE) in the European Union was the year ended 31 December 2006. Since then, the total period of uninterrupted engagement appointment was 13 years. The Company has proceeded with a tendering process for the year ended 31 December 2018 and has decided our reappointment.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated and separate financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 24 April 2019 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and the Company and which have not been disclosed in the consolidated and separate financial statements or the management report.

Other Legal Requirements

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

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated and separate financial statements.
- In light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated and separate financial statements.



- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Elias M. Theodorou.

Elias M. Theodorou
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors
City House, 6 Karaiskakis Street,
CY-3032 Limassol, Cyprus

Limassol, 24 April 2019

K + G Complex Public Company Limited

Consolidated income statement for the year ended 31 December 2018

	Note	2018 €000	2017 €000
Sales	9	4.570	3.288
Cost of sales	11	(1.408)	(566)
Gross profit		3.162	2.722
Administrative expenses		(430)	(583)
Selling and marketing expenses		(159)	(223)
Other income	10	367	220
Operating profit		2.940	2.136
Finance costs	15	(490)	(579)
Share of profit of investment in associates	20	1.150	2.130
Profit before tax		3.600	3.687
Tax	16	(18)	(138)
Profit for the year		3.582	3.549
Profit per share (cents per share):			
- Basic and fully diluted	17	2,79	2,76

The notes on pages 28 to 77 are an integral part of these financial statements.

K + G Complex Public Company Limited

Consolidated statement of comprehensive income for the year ended 31 December 2018

	Note	2018 €000	2017 €000
Profit for the year		3.582	3.549
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Share of movement of reserves of associates	20	(244)	74
Total comprehensive income for the year		3.338	3.623

The items in the above statement are presented after deducting the tax. The Tax related to each item in the statement of comprehensive income is presented in Note 16.

The notes on pages 28 to 77 are an integral part of these financial statements.

K + G Complex Public Company Limited

Company's income statement for the year ended 31 December 2018

	Note	2018 €000	2017 €000
Sales	9	4.570	3.288
Cost of sales	11	(1.408)	(566)
Gross profit		3.162	2.722
Administrative expenses		(422)	(530)
Selling and marketing expenses		(159)	(223)
Other losses	13	-	(278)
Other income	10	1.365	1.224
Operating profit		3.946	2.915
Finance costs	15	(588)	(682)
Profit before tax		3.358	2.233
Tax	16	(18)	(157)
Profit for the year		3.340	2.076

The notes on pages 28 to 77 are an integral part of these financial statements.

K + G Complex Public Company Limited

Company's statement of comprehensive income for the year ended 31 December 2018

	2018 €000	2017 €000
Profit for the year	3.340	2.076
Other comprehensive income for the year	<u>-</u>	<u>-</u>
Total Profit for the year	<u><u>3.340</u></u>	<u><u>2.076</u></u>

The notes on pages 28 to 77 are an integral part of these financial statements.

K + G Complex Public Company Limited

Consolidated balance sheet at 31 December 2018

	Note	2018 €000	2017 €000
Assets			
Non-current assets			
Investments in associates	20	88.228	88.206
		88.228	88.206
Current assets			
Inventories	22	3.859	5.136
Current receivables	23	8.145	9.486
Tax refundable		20	7
Cash and cash equivalents	24	496	3
		12.520	14.632
Total assets		100.748	102.838
Equity and liabilities			
Capital and reserves			
Share capital	25	21.860	21.860
Share premium	25	1.757	1.757
Reserve of changes in equity of associate company		245	490
Reserve arising on translation of share capital into Euro		86	86
Retained earnings		66.302	64.392
Total equity		90.250	88.585
Non-current liabilities			
Borrowings	26	9.641	-
		9.641	-
Current liabilities			
Trade and other payables	27	857	353
Borrowings	26	-	13.898
Tax liabilities		-	2
		857	14.253
Total liabilities		10.498	14.253
Total equity and liabilities		100.748	102.838

On 24 April 2019 the Board of Directors of K + G Complex Public Company Limited authorised these financial statements for issue.

George St. Galatariotis, Executive Chairman

Costas St. Galatariotis, Director

The notes on pages 28 to 77 are an integral part of these financial statements.

K + G Complex Public Company Limited

Company's balance sheet at 31 December 2018

	Note	2018 €000	2017 €000
Assets			
Non current assets			
Investments in subsidiaries	21	2.722	2.722
Investments in associates	20	32.958	32.958
		<u>35.680</u>	<u>35.680</u>
Current assets			
Inventories	22	3.859	5.136
Financial assets held at amortised cost	23	8.145	9.481
Tax refundable		3	-
Cash and cash equivalents at bank	24	495	3
		<u>12.502</u>	<u>14.620</u>
Total assets		<u>48.182</u>	<u>50.300</u>
Equity and liabilities			
Capital and reserves			
Share capital	25	21.860	21.860
Share premium	25	1.757	1.757
Reserve arising on translation of share capital into Euro		86	86
Retained earnings		11.302	9.634
		<u>35.005</u>	<u>33.337</u>
Non current liabilities			
Borrowings	26	12.649	3.040
		<u>12.649</u>	<u>3.040</u>
Current liabilities			
Trade and other payables	27	528	25
Borrowings	26	-	13.896
Current income tax liabilities		-	2
		<u>528</u>	<u>13.923</u>
Total liabilities		<u>13.177</u>	<u>16.963</u>
Total equity and liabilities		<u>48.182</u>	<u>50.300</u>

On 24 April 2019 the Board of Directors of K + G Complex Public Company Limited authorised these financial statements for issue.

George St. Galatariotis, Executive Chairman

Costas St. Galatariotis, Director

The notes on pages 28 to 77 are an integral part of these financial statements.

K + G Complex Public Company Limited

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital €000	Share premium ⁽²⁾ €000	Reserve arising on translation of share capital into Euros ⁽²⁾ €000	Reserve of changes in equity of associated company ⁽²⁾ €000	Retained earnings ⁽¹⁾ €000	Total €000
Balance at 1 January 2017	21.860	1.757	86	416	62.772	86.891
Comprehensive income						
Profit for the year	-	-	-	-	3.549	3.549
Other comprehensive income						
Share of reserves of associates (Note 20)	-	-	-	74	-	74
Total comprehensive profit for the year 2017	-	-	-	74	3.549	3.623
Transactions with owners						
Dividend out of profits of 2016 paid in July 2017 (Note 18)	-	-	-	-	(1.929)	(1.929)
Total transactions with owners	-	-	-	-	(1.929)	(1.929)
Balance at 31 December 2017/ 1 January 2018	21.860	1.757	86	490	64.392	88.585
Other comprehensive income						
Profit for the year	-	-	-	-	3.582	3.582
Other comprehensive income						
Share of reserves of associates (Note 20)	-	-	-	(244)	-	(244)
Total comprehensive income for the year 2018	-	-	-	(244)	3.582	3.338
Transactions with owners						
Dividend out of profits of 2017 paid in July 2018 (Note 18)	-	-	-	-	(1.672)	(1.672)
Total transactions with owners	-	-	-	-	(1.672)	(1.672)
Balance at 31 December 2018	21.860	1.757	86	245	66.302	90.250

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The special contribution for defence rate increased from 15% to 17% in respect of profits of year of assessment 2009 and to 20% in respect of profits of years of assessment 2010 and 2011 and is reduced back to 17% in respect of profits of years of assessment 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

(2) The share premium reserve, the reserve of changes in equity of associates and the reserve arising on translation of share capital into Euro are not available for distribution in the form of dividends.

The notes on pages 28 to 77 are an integral part of these financial statements.

K + G Complex Public Company Limited

Company's statement of changes in equity for the year ended 31 December 2018

	Share Capital €000	Share premium ⁽²⁾ €000	Reserve arising on translation of share capital into Euro ⁽²⁾ €000	Retained earnings ⁽¹⁾ €000	Total €000
Balance at 1 January 2017	21.860	1.757	86	9.487	33.190
Comprehensive income					
Profit for the year	-	-	-	2.076	2.076
Total comprehensive profit for the year 2017	-	-	-	2.076	2.076
Transactions with owners					
Dividend out of profits of 2016 paid in July 2017 (Note 18)	-	-	-	(1.929)	(1.929)
Total transactions with owners	-	-	-	(1.929)	(1.929)
Balance at 31 December 2017/ 1 January 2018	21.860	1.757	86	9.634	33.337
Comprehensive income					
Profit for the year	-	-	-	3.340	3.340
Total comprehensive profit for the year 2018	-	-	-	3.340	3.340
Transactions with owners					
Dividend out of profits of 2017 paid in July 2018 (Note 18)	-	-	-	(1.672)	(1.672)
Total transactions with owners	-	-	-	(1.672)	(1.672)
Balance at 31 December 2018	21.860	1.757	86	11.302	35.005

(1) Companies which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, by the end of the two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as dividend. Special contribution for defence will be payable on such deemed dividend to the extent that the shareholders for deemed dividend distribution purposes at the end of the period of two years from the end of the year of assessment to which the profits refer, are Cyprus tax residents. The special contribution for defence rate increased from 15% to 17% in respect of profits of year of assessment 2009 and to 20% in respect of profits of years of assessment 2010 and 2011 and is reduced back to 17% in respect of profits of years of assessment 2012 onwards. The amount of this deemed dividend distribution is reduced by any actual dividend paid out of the profits of the relevant year by the end of the period of two years from the end of the year of assessment to which the profits refer. This special contribution for defence is paid by the Company for the account of the shareholders.

(2) The share premium reserve, the reserve arising on translation of share capital into Euro are not available for distribution in the form of dividends.

The notes on pages 28 to 77 are an integral part of these financial statements.

K + G Complex Public Company Limited

Consolidated statement of cash flows for the year ended 31 December 2018

	Note	2018 €000	2017 €000
Cash flows from operating activities			
Profit before tax		3.600	3.687
Interest expense	15	490	579
Interest income	10	(364)	(205)
Share of profit of associates	20	(1.150)	(2.130)
		<u>2.576</u>	<u>1.931</u>
Changes in working capital:			
Inventories		1.277	503
Financial assets held at amortised cost		(4)	325
Trade and other payables		675	399
		<u>4.524</u>	<u>3.158</u>
Cash generated from operations			
Tax paid		(18)	(72)
		<u>4.506</u>	<u>3.086</u>
Cash flows from investing activities			
Loans granted to related parties	28 (vi)	(3)	(527)
Repayments of loans from related parties	28 (vi)	69	-
Interest received		55	53
Dividend received		883	-
		<u>1.004</u>	<u>(474)</u>
Net cash generated from/(used in) investing activities			
Cash flows from financing activities			
Repayments of bank loan		(4.211)	(1.353)
Interest paid		(490)	(579)
Dividend paid to the shareholders		(271)	(311)
		<u>(4.972)</u>	<u>(2.243)</u>
Net cash used in financing activities			
Net increase in cash, cash equivalents and bank overdrafts			
		538	369
Cash, cash equivalents and bank overdrafts at the beginning of the year			
		(42)	(411)
Cash, cash equivalents and bank overdrafts at the end of the year			
	24	<u>496</u>	<u>(42)</u>

For non-cash transactions refer to note 24.

The notes on pages 28 to 77 are an integral part of these financial statements.

K + G Complex Public Company Limited

Company's statement of cash flows for the year ended 31 December 2018

	Note	2018 €000	2017 €000
Cash flows from operating activities			
Profit before tax		3.358	2.233
Adjustments for:			
Impairment of investment in subsidiary company	13	-	278
Interest income	10	(364)	(397)
Interest expense	15	588	682
Dividend Income	28 (iii)	(998)	(815)
		<u>2.584</u>	<u>1.981</u>
Changes in working capital:			
Inventories		1.277	503
Financial assets held at amortised cost		1	35
Trade and other payables		674	401
		<u>4.536</u>	<u>2.920</u>
Cash generated from operations		4.536	2.920
Tax paid		(18)	(71)
		<u>4.518</u>	<u>2.849</u>
Cash flows from investing activities			
Loans granted to related parties	28 (vi)	(3)	(527)
Proceeds from repayment of loans from related parties	28 (vi)	69	-
Interest received		55	53
Dividend received		883	-
		<u>1.004</u>	<u>(474)</u>
Net cash used in/(from) investing activities			
Cash flows from financing activities			
Proceeds from loans granted from related parties	28 (v)	6	273
Repayment of loans from related parties	28 (v)	(22)	(40)
Repayment of bank loan		(4.211)	(1.353)
Interest paid		(489)	(579)
Dividend paid		(271)	(311)
		<u>(4.987)</u>	<u>(2.010)</u>
Net cash used in financing activities			
Net increase in cash, cash equivalents and bank overdrafts			
		535	365
Cash, cash equivalents and bank overdrafts at the beginning of the year			
		(40)	(405)
Cash, cash equivalents and bank overdrafts at the end of the year			
	24	495	(40)

For non-cash transactions refer to note 24.

The notes on pages 28 to 77 are an integral part of these financial statements.

K + G Complex Public Company Limited

Notes to the financial statements

1 General information

Country of incorporation

K+G Complex Public Company Limited (the “Company”) was incorporated in Cyprus in June 1980, as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113, and in May 1981 became a public company. The Company is listed on the Cyprus Stock Exchange. Its registered office of the Company is at 197 Makarios III Avenue, Gala Tower, CY-3030 Limassol, Cyprus.

Principal activities

The principal activities of the Company and the Group, which are unchanged from last year, are the following:

- (a) Development and sale of land located in the Amathus area of Limassol
- (b) Holding of investments

2 Basis of preparation

The consolidated financial statements of K+G Complex Public Company Limited and its subsidiary (together the “Group”) and the separate financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

As of the date of the authorisation of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2018 have been adopted by the EU through the endorsement procedure established by the European Commission.

The principal accounting policies applied in the preparation of these financial statements are set out below in Note 4. 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 (refer to Notes 3, 4 and 31). The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in Note 31.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Company’s and Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

3 Adoption of new and revised IFRSs

During the current year the Group/Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Group/Company with the exception of the following:

- IFRS 9 “Financial Instruments”, and
- IFRS 15 “Revenue from contracts with customers”

K + G Complex Public Company Limited

3 Adoption of new and revised IFRSs (continued)

As explained below, in accordance with the transition provisions of IFRS 9 and IFRS 15, the Group/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. There was no significant impact as a result of the application of IFRS 9 and IFRS 15. The Company and the Group have voluntarily changed the presentation of certain amounts in the comparative balance sheet as disclosed in the table below to reflect the terminology of IFRS 9.

	31 December 2017 as previously presented	Reclassifications	1 January 2018 under IFRS 9
	€000	€000	€000
The Group:			
Current receivables	9.486	(9.486)	-
Financial assets held at amortised cost	-	9.486	9.486
The Company:			
Current receivables	9.481	(9.481)	-
Financial assets held at amortised cost	-	9.481	9.481

(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.

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.

K + G Complex Public Company Limited

3 Adoption of new and revised IFRSs (continued)

(i) IFRS 9 “Financial instruments” (continued)

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.

The Group/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 Group’s/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 and the Group have elected the simplified transition method for adopting the new standard which allows the effect of transition to IFRS 9 to be recognised in retained earnings as at 1 January 2018. In accordance with the transition method elected by the Group/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 Group/Company, which were classified as “Current receivables” 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). As a result of the assessment management has classified its debt instruments into the appropriate IFRS 9 categories. The adoption of IFRS 9 did not had any effect on the classification and measurement of financial liabilities of the Group and the Company.

As a result of the adoption of IFRS 9 the Group/Company revised its impairment methodology for each class of assets subject to the new impairment requirements. From 1 January 2018, the Group/Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and cash and cash equivalents. 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.

The Group/Company has the following types of assets that are subject to IFRS 9’s new expected credit loss model: financial assets at amortised cost and cash and cash equivalents.

The Group/Company has adopted the general expected credit loss model for these financial assets. Based on the assessment performed by management, the incremental impairment loss as of 1 January 2018 was not significant. Accordingly, the impact of adoption of IFRS 9 on the Group’s/Company’s retained earnings as of 1 January 2018 was not significant.

K + G Complex Public Company Limited

3 Adoption of new and revised IFRSs (continued)

(i) IFRS 9 “Financial instruments” (continued)

Impact of adoption (continued)

- *Other financial instruments*

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

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

The assessment of the impact of adoption of IFRS 9 on the Group’s/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.

(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.

IFRS 15 provides further guidance on the measurement of revenue arising from contracts that have variable consideration due to discounts, rebates, consignment inventories etc. In accordance with the new standard, when the consideration varies, an entity includes in the transaction price some or all of an amount of variable consideration only to the extent that it is highly probable that a significant reversal in the cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Further, costs incurred to secure contracts with customers and certain costs incurred to fulfil such contracts have to be capitalised and amortised over the period when the benefits of the contract are consumed.

K + G Complex Public Company Limited

3 Adoption of new and revised IFRSs (continued)

(ii) IFRS 15 “Revenue from Contracts with Customers”

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 Group’s/Company’s new accounting policies following adoption of IFRS 15 at 1 January 2018 are set out in Note 4.

Impact of adoption

In accordance with the transition provisions of IFRS 15, the Group/Company has elected the simplified transition method for adopting the new standard which allows the impact of initial application of IFRS 15 to be recognized as a cumulative adjustment to opening retained earnings directly in equity as at 1 January 2018. In accordance with the transition method elected by the Group/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 related interpretations.

Based on detailed analysis of the Group’s/Company’s revenue streams and individual contracts’ terms and on the basis of the facts and circumstances relating to the Group’s/Company’s revenue transactions, the adoption of IFRS 15 on 1 January 2018 had no impact on the nature, amount or timing that Group’s/Company’s revenues are recognised. As a result, the initial application of IFRS 15 had no impact on the opening retained earnings of the Company/Group as at 1 January 2018.

4 Summary of significant accounting policies

The principal accounting policies applied 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 31.

Revenue

Recognition and measurement

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

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

Revenue (continued)

Recognition and measurement (continued)

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

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

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

Identification of performance obligations

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

- **Sale of properties**

Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the Group/Company due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

Revenue (continued)

Financing component

The Group/Company does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group/Company elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

- **Interest income**

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the income statement as “Other income”. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit - impaired financial assets – Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance), for Stage 1 and Stage 2 – gross amount of financial assets

- **Dividend income**

Dividends are recognised as “Other income” in the Company’s profit or loss when the right to receive payment is established.

Financial assets – Classification

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

- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Group’s/Company’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Group/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.

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/Company commits to deliver a financial instrument. All other purchases and sales are recognized when the Group/Company 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/Company has transferred substantially all the risks and rewards of ownership.

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

Financial assets – Measurement

At initial recognition, the Group/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.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's/Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group/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 '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 income statement. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents and loans receivable.

Financial assets – impairment – credit loss allowance for ECL

From 1 January 2018, the Group/Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC. The Group/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 income statement within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the balance sheet net of the allowance for ECL.

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

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

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

For all other financial asset that are subject to impairment under IFRS 9, the Group/Company applies general approach – three stage model for impairment. The Group/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 Group/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 Group/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 Group’s/Company’s definition of credit impaired assets and definition of default is explained in Note 6, Credit risk section.

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/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 Group/Company may write-off financial assets that are still subject to enforcement activity when the Group/Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Cash and cash equivalents

In the statement of cash flows of the Group/Company, cash and cash equivalents includes cash in hand, deposits held at call with banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. 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.

Consolidated financial statements

The consolidated financial statements include the financial statements of K+G Complex Public Company Limited (the “Company”), and its subsidiary company, which are collectively referred to as the “Group”.

(1) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

Consolidated financial statements (continued)

(1) Subsidiaries (continued)

The Group applies the acquisition method to account for business combinations. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the following;

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and the fair value of any previous equity interest in the acquired entity at the date of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profit and losses resulting from inter-company transactions that are recognised in assets are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet.

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

Consolidated financial statements (continued)

(1) Subsidiaries (continued)

When the Group ceases to have control over an entity, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that investment are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(2) 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 associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition net of any accumulated impairment losses.

Dividends received or receivable from associate are recognised as a reduction in carrying amount of the investment.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary, to ensure consistency with the accounting policies adopted by the Group. Dilution gains and losses arising in investments in associates are recognised in profit or loss.

After application of the equity method, including recognising the associates' losses, the carrying amount of the investment in associate which includes the goodwill arising on acquisition is tested for impairment by comparing its recoverable amount with its carrying amount whenever there is an indication of impairment and recognizes the amount adjacent to 'share of profit/(loss)' of associates in the profit or loss.

Separate financial statements of the Company

(1) Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

Separate financial statements of the Company (continued)

(1) Investments in subsidiaries (continued)

Investments in subsidiaries are measured at cost less impairment. Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss 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. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

(2) Investments in associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are measured at cost less impairment. Investments in associates are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised through profit or loss 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. An impairment loss recognised in prior years is reversed where appropriate if there has been a change in the estimates used to determine the recoverable amount.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors of the Group (the chief operating decision-maker). The Board of Directors, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

Current and deferred income tax (continued)

The current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Company/the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company/the Group where there is an intention to settle the balances on a net basis.

Dividend distribution

Dividend distribution to the Group's/Company's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Group/Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Group's/Company's shareholders.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Motor vehicles	20
Furniture and office equipment	10

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

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group/Company and the cost of the item can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognized in "other gains/(losses) – net" in profit or loss.

Impairment of non-financial assets

Assets that have an indefinite useful life, including goodwill, 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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company/Group or the counterparty.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

Earnings per share

Basic earnings per share are calculated as follows: The profits attributable to the Company's shareholders are divided by the weighted average number of ordinary shares issued during the year.

Provisions

Provisions are recognised when the Company/Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowing costs are interest and other costs that the Group/Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

An exchange between the Group/Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

K + G Complex Public Company Limited

4 Summary of significant accounting policies (continued)

Borrowings (continued)

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Group/Company and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Group/Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is 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 liabilities.

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

Comparatives

Comparative figures have been adjusted to conform with changes in the presentation for the current year. Details are disclosed in Note 3.

5 New accounting pronouncements

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company/Group, except the following set out below:

- Amendments to References to the Conceptual Framework in IFRS Standards (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)*. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

K + G Complex Public Company Limited

5 New accounting pronouncements (continued)

- Amendments to IAS 1 and IAS 8: Definition of materiality (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).* The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The Company and the Group is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not known.

** Denotes amendments which have not yet been endorsed by the European Union.*

6 Financial risk management

(i) Financial risk factors

The Group's/Company's activities expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk.

The Company's and the Group's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's and the Group's financial performance. Risk management is carried out by the Board of Directors.

- **Market risk**

Cash flow and fair value interest rate risk

The Group's/Company's interest rate risk arises from interest-bearing assets and long-term borrowings. The interest bearing assets represent loans receivable from related parties and bank deposits. Long term borrowings represent bank borrowings and borrowings from related parties. Interest-bearing assets and borrowings at variable rates expose the Group/Company to cash flow interest rate risk. Interest bearing assets and borrowings issued at fixed rates expose the Group/Company to fair value interest rate risk.

The exposure of the Group/Company into fair value interest rate risk is not significant.

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

- **Credit risk**

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and deposits with banks and financial institutions.

K + G Complex Public Company Limited

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

(a) *Risk Management*

Credit risk is managed by the Group and the Company on a group basis.

For banks and financial institutions, only independently rated parties 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.

(b) *Impairment of financial assets*

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

- financial assets at amortised cost (loans to related parties and other receivables)
- cash and cash equivalents.

Financial assets at amortised cost

Financial assets at amortised cost include loans to related parties and other receivables.

For the loans to related parties and other receivables the Company and the Group applies the general expected credit loss model. The Group/Company 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/Company 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 value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- 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.

K + G Complex Public Company Limited

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

Financial assets at amortised cost (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 company. The Group/Company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the Group/Company 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/Company's expected credit loss model for the loans receivable from related parties is as follows:

Category	Group/Company definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing (Stage 1)	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	For loans to related parties that are repayable on demand, the expected credit losses are based on the assumption that the repayment of the loan will be demanded at the balance sheet date.	Gross carrying amount

Based on the above table the expected credit loss for the loans receivable from related parties on 1 January 2018 (on adoption of IFRS 9) and 31 December 2018 was not significant.

The Company/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.

Cash and cash equivalents

The Group/Company assess on individual basis its exposure to the credit risk as a result of cash and cash equivalents based on external credit ratings.

The following tables contains an analysis of the credit risk exposure of cash and cash equivalents based on external credit rating by Moody's Investors Service which represents the Group's/Company's maximum exposure to credit risk on these assets as at 31 December 2018 and 1 January 2018.

K + G Complex Public Company Limited

6 Financial risk management (continued)

(i) Financial risk factors

- Credit risk (continued)

Cash and cash equivalents (continued)

The Group

<u>The Group</u>	Carrying amount (net of impairment provision) €000
External credit rating	
As at 31 December 2018	
B3	30
Caa1	466
Total cash and cash equivalents	<u>496</u>
On 1 January 2018	
Caa3	3
Total cash and cash equivalents	<u><u>3</u></u>

The Company

	Carrying amount (net of impairment provision) €000
External credit rating	
As at 31 December 2018	
B3	29
Caa1	466
Total cash and cash equivalents	<u>495</u>
On 1 January 2018	
Caa3	3
Total cash and cash equivalents	<u><u>3</u></u>

The Group/Company has no mortgage as a guarantee.

The cash and cash equivalents are subject to the impairment model of IFRS 9. In accordance with the general credit loss model, the expected credit loss on 1 January 2018 (on adoption of IFRS 9) and at 31 December 2018 was not significant. The cash and cash equivalents are classified as Stage 1 on 1 January 2018 and 31 December 2018.

Credit quality of financial assets at 31 December 2017

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

K + G Complex Public Company Limited

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk (continued)**

Credit quality of financial assets at 31 December 2017 (continued)

The credit quality of financials assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if applicable) or to historical information about counterparty default rates:

	<u>The Group</u>	<u>The Company</u>
	2017	2017
	€000	€000
Other receivables		
Counterparties without external credit rating		
Group 2	46	41
	<u>46</u>	<u>41</u>
Loans receivable neither past due nor impaired		
Group 1	9.440	9.440
	<u>9.440</u>	<u>9.440</u>
	<u>9.440</u>	<u>9.440</u>
	<u>The Group</u>	<u>The Company</u>
	2017	2017
	€000	€000
Cash at bank		
Caa3	3	3
	<u>3</u>	<u>3</u>

Group 1 – parent entity, ultimate parent entity with no defaults in the past.

Group 2 – other receivables with no default in the past.

None of the financial assets that are neither past due nor impaired did not have any renegotiations in their terms during the year.

None of the receivables from related parties is past due or impaired.

- **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Board of Directors maintains flexibility in funding by maintaining availability under committed credit lines.

The Board of Directors monitors rolling forecasts of the Company's and the Group liquidity reserve (comprises undrawn borrowing facility (Note 26) and cash and cash equivalents (Note 24) on the basis of expected cash flow.

The Company and the Group have the following unused credit facilities:

	<u>The Group</u>		<u>The Company</u>	
	2018	2017	2018	2017
	€000	€000	€000	€000
Floating rate:				
- Within one year	1.518	2.617	1.499	2.600
	<u>1.518</u>	<u>2.617</u>	<u>1.499</u>	<u>2.600</u>

K + G Complex Public Company Limited

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- Liquidity risk (continued)

The facilities that expire within one year are annual facilities that are subject to revision at different dates.

The table below analyses the Company's and the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months (with the exception of borrowings) equal their carrying balances as the impact of discounting is not significant.

The Group

	Less than 1 year €000	Between 1 and 2 years €000	Between 2 to 5 years €000
At 31 December 2017			
Borrowings	14.219	-	-
Trade and other payables	353	-	-
	<u>14.572</u>	<u>-</u>	<u>-</u>
At 31 December 2018			
Borrowings	-	-	10.585
Trade and other payables	857	-	-
	<u>857</u>	<u>-</u>	<u>10.585</u>

The Company

	Less than 1 year €000	Between 1 and 2 years €000	Between 2 to 5 years €000
At 31 December 2017			
Borrowings	14.219	-	3.333
Trade and other payables	25	-	-
	<u>14.244</u>	<u>-</u>	<u>3.333</u>
At 31 December 2018			
Borrowings	-	3.190	10.585
Trade and other payables	528	-	-
	<u>528</u>	<u>3.190</u>	<u>10.585</u>

(ii) Capital risk management

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

In order to maintain or adjust the capital structure, the Company/Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

K + G Complex Public Company Limited

6 Financial risk management (continued)

(ii) Capital risk management (continued)

Consistent with others in the industry, the Company and the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at 31 December 2018 and 2017 were as follows:

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Total borrowings (Note 26)	9.642	13.898	12.650	16.936
Less: cash and cash equivalents (Note 24)	(496)	(3)	(495)	(3)
Net debt	<u>9.146</u>	<u>13.895</u>	<u>12.155</u>	<u>16.933</u>
Total equity	<u>90.250</u>	<u>88.585</u>	<u>35.005</u>	<u>33.337</u>
Total capital as defined by the board	<u>99.396</u>	<u>102.480</u>	<u>47.160</u>	<u>50.270</u>
Gearing ratio	9%	14%	26%	34%

The reduction in the gearing ratio during 2018 was mainly the result of repayment of bank debt during the year.

(iii) Fair value estimation

There were no financial assets and financial liabilities that are measured at fair value at 31 December 2018 and 31 December 2017.

7 Critical accounting estimates and judgments

Estimates and judgements 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.

(i) Critical accounting estimates and assumptions for the Company and the Group

The Company and the Group make 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.

K + G Complex Public Company Limited

7 Critical accounting estimates and judgments (continued)

(i) Critical accounting estimates and assumptions (continued)

- **Taxes**

Significant judgments and estimates are required in determining the corporate tax provision. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company/Group recognizes liabilities for anticipated tax audit issues based on estimates and calculations as to whether additional tax will arise. Where the final tax outcome of these matters differs from the amounts that were initially recognized, such differences will affect the current and deferred tax assets and liabilities in the period in which such determination is made.

- **Fair value of investment property of €237.271 thousand (2017: €237.271 thousand) at associated company**

The fair value of the investment property is based on observable comparable information of the market, including expected selling prices. Where observable comparable information are not available, the fair values are determined through significant judgements by the Company's management who have the relevant expertise, knowledge and recent experience that are necessary in the valuation of the investment property.

At 31 December 2018 and 31 December 2017, the fair value estimates of the investment property of the associate's management, were based on valuation techniques which incorporate observable comparative selling prices, where these are available, adjusted to reflect properties specific nature, size, uniqueness and their urban planning characteristics.

The main assumptions used for the valuation of the investment property are disclosed in Note 20.

As a result, the associate's management considers that the valuation at fair value of the investment property is subject to a significant level of subjectivity and an increased likelihood that the value of the investment property to be different.

Any change in the assumptions used, will result in a significant change in the fair value of the investment property (Note 20).

- **Fair value of financial asset at fair value through other comprehensive income (2017: Available-for-sale financial assets)**

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

At 31 December 2018 and 31 December 2017, the fair value of the investment was estimated by the Group's Management based on the discounted cash flow for the valuation of the residential apartments building and the EBITDA multiple method for valuation of the hotel complex. The fair value was adjusted taking into consideration the fair value of the borrowings of the investment and the capital expenditures required for the completion of the renovation of the hotel.

K + G Complex Public Company Limited

7 Critical accounting estimates and judgments (continued)

(i) Critical accounting estimates and assumptions (continued)

- **Fair value of financial asset at fair value through other comprehensive income (2017: Available-for-sale financial assets) (continued)**

In estimating future cash flows and operating profitability, the Group should make assumptions about future cash flows and expected operating profitability. These assumptions are based on historical trends as well as on future expectations. Although the Management believes that the assumptions used to calculate the fair value of the investment are reasonable and appropriate, these assumptions may be largely subjective. The principal assumptions used to estimate the fair value of financial assets and the sensitivity analysis of these key assumptions are disclosed in Note 20 of the financial statements.

(ii) Critical estimates in the application of the accounting policies of the Company and the Group

- **Impairment of investments in subsidiary companies**

The Company and the Group follows the guidance of IAS 36 “Impairment of assets” in determining whether a non-current asset is impaired. The Company and the Group review the carrying value for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

As at 31 December 2018, the Company and the Group assessed whether the investments in subsidiary companies have been impaired, in accordance with the accounting policies disclosed in Note 4. The recoverable amounts of the assets or the cash generating units have been determined based on their fair value. The fair value calculations are based on the fair value of the subsidiary companies’ net assets. The recoverable amounts have been compared with the carrying values of the investments as at 31 December 2018. Following the impairment test, the Company did not recognise any impairment charge for 2018.

8 Segment information

As per management approach in relation to IFRS 8, operating segments are presented in accordance with the internal reporting provided to the Board of Directors (the chief operating decision-maker), which is responsible for allocating resources and assessing performance of the operating segment. All operating segments used by the Group, meet the definition of a reportable segment as per IFRS 8.

The basic operating segments of the Group for which segment information is presented are as follows:

- (1) Development and sale of land
- (2) Holding of investments

K + G Complex Public Company Limited

8 Segment information (continued)

The Board of Directors of the Company assesses the performance of the operating segments based on a measure of losses before interest, taxes, depreciation and amortization (EBITDA). This measurement basis excludes the effects of non-recurring expenditure from the operating segments such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not allocated to segments. Other information presented, is accounted as per the financial statements. All the assets of the Group are situated in Cyprus.

The segment information provided to the Board of Directors of the Company/Group for the reportable segments is as follows:

For the year ended 31 December 2018

	Development and sale of land €000	Holding of investments €000	Total €000
Sales	4.570	-	4.570
Profit before interest, taxes, and depreciation	2.628	312	2.940
Total segment assets	4.416	96.332	100.748
Total assets include:			
Investments in associates	-	88.228	88.228
Total segment liabilities	857	9.641	10.498

For the year ended 31 December 2017

	Development and sale of land €000	Holding of investments €000	Total €000
Sales	3.288	-	3.288
Profit before interest, taxes, and depreciation	1.930	205	2.136
Total segment assets	5.192	97.646	102.838
Total assets include:			
Investments in associates	-	88.206	88.206
Total segment liabilities	355	13.898	14.253

Reconciliation of segment results

Results before interest, taxes, depreciation and amortization differs from the profit before tax as follows:

	2018 €000	2017 €000
Profit before interest, taxes, and depreciation	2.940	2.136
Depreciation	-	-
Operating profit	2.940	2.136
Finance costs	(490)	(579)
Share of profit of associates	1.150	2.130
Profit before tax	3.600	3.687

K + G Complex Public Company Limited

9 Revenue

Breakdown of Revenue from Contracts with Customers

Analysis of Revenue by Category based on recognition policies in place before 1st January 2018:

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Sale of plots	4.570	3.288	4.570	3.288

10 Other income

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Interest income:				
Loans to related parties (Note 28 (ii))	309	344	309	344
Other interest income	55	53	55	53
Write off interest prior years	-	(192)	-	-
Total interest income	364	205	364	397
Dividend income (Note 28 (iii))	-	-	998	815
Other income	3	15	3	12
	367	220	1.365	1.224

11 Cost of sales

	The Group		The Company	
	2017 €000	2017 €000	2018 €000	2017 €000
Cost of sales	1.408	566	1.408	566

12 Expenses by nature

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Tax and licences	12	7	12	7
Legal and professional fees	10	44	10	4
Management and other administrative services fees (Note 28 (i))	313	442	308	436
Directors' fees (Note 28 (iv))	4	2	4	2
Staff and related costs (Note 14)	33	33	33	33
Auditor's remuneration	19	19	17	17
Other expenses	39	36	38	31
Selling and distribution expenses	159	223	159	223
Total cost of sales, selling costs and administrative expenses	589	806	581	753

The total fees charged by the statutory audit firm for the statutory audit of the annual financial statements of the Group/Company for the year ended 31 December 2018 amounted to €19 thousand/€17 thousand (2017: €19 thousand/€17 thousands). There were no other services charged by the statutory audit firm during the year ended 31 December 2018 and 31 December 2017.

K + G Complex Public Company Limited

13 Other losses

	The Group		The Company	
	2017 €000	2016 €000	2017 €000	2016 €000
Impairment of investment in subsidiary company (Note 21)	-	-	-	278

14 Staff costs

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Salaries	32	32	32	32
Employer's contributions	1	1	1	1
Total (Note 28 (iv))	33	33	33	33
Average number of staff during the year	1	1	1	1

15 Finance costs

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Interest expense:				
Bank borrowings and overdrafts	490	578	490	578
Loan from subsidiary company (Note 28 (ii))	-	-	98	103
Other	-	1	-	1
	490	579	588	682

16 Income tax expense

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Current tax charge:				
Income tax	-	142	-	141
Defence tax	17	16	17	16
Prior year tax charge:				
Income tax	1	-	1	-
Deferred tax adjustment	-	(20)	-	-
Tax charge	18	138	18	157

K + G Complex Public Company Limited

16 Income tax expense (continued)

The tax on the Group's and the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Profit before tax	3.600	3.687	3.358	2.233
Tax calculated at the applicable corporation tax rate of 12,5%	450	461	420	279
Tax effect of expenses not deductible for tax purposes	3	56	3	39
Tax effect of allowances and income not subject to tax	(344)	(42)	(500)	(109)
Tax effect on share of profit from associated companies	(144)	(266)	-	-
Special contribution for defence	17	16	17	16
Tax effect of losses for which no deferred tax asset has been recognised	46	-	88	-
Tax of previous years	1	1	1	-
Deferred tax adjustment	-	(20)	-	-
Tax effect of Group relief	(11)	(68)	(11)	(68)
Tax charge	18	138	18	157

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

As from tax year 2012 brought forward losses of only 5 years may be utilised. From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% as from 1 January 2012; reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

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

Under the Cyprus Tax Law, the Company and its subsidiaries, of which the Company holds directly or indirectly at least 75% of the voting shares; are collectively referred to as the "Group" for tax purposes. A Company of the "Group" can set off its losses with the profits of the other companies of the Group.

The tax (charge)/credit relating to components of other comprehensive income as follows:

K + G Complex Public Company Limited

16 Income tax expense (continued)

Tax effects of components of other comprehensive income

The Group

	Year ended 31 December					
	2018			2017		
	Before tax €000	Tax (charge)/ credit €000	After tax €000	Before tax €000	Tax (charge)/ credit €000	Before tax €000
Associated companies:						
Share of other comprehensive income	(244)	-	(244)	74	-	74
Other comprehensive income	(244)	-	(244)	74	-	74

17 Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

Basic and fully diluted

	2018	2017
Profit attributable to the equity holders of the Company (€000)	3.582	3.549
Weighted average number of ordinary shares in issue	128.586.161	128.586.161
Profit per share - Basic and diluted (cent per share)	2,79	2,76

18 Dividend per share

On 30th of June 2017, the Annual General Meeting approved the payment of a dividend of €0,015 per share, amounted to €1.929 thousand out of the profits of 2016. The dividend was paid to the shareholders on 27 July 2017.

On 29th June 2018, the Annual General Meeting approved the payment of a dividend of €0,013 per share, amounted to €1.672 thousand out of the profits of 2017. The dividend was paid to the shareholders on 27 July 2018.

K + G Complex Public Company Limited

19 Property, plant and equipment

The Group

	Furniture and office equipment €000	Total €000
At 1 January 2017		
Cost	95	95
Accumulated depreciation	(95)	(95)
Net book amount	-	-
Year ended 31 December 2017		
Opening net book amount	44	44
Write off Cost	(51)	(51)
Write off depreciation	51	51
Accumulated depreciation	(44)	(44)
Closing net book amount	-	-
At 31 December 2018		
Cost	44	44
Accumulated depreciation	(44)	(44)
Net book amount	-	-
At 31 December 2018		
Cost	44	44
Accumulated depreciation	(44)	(44)
Net book amount	-	-

K + G Complex Public Company Limited

19 Property, plant and equipment (continued)

The Company

	Furniture and office equipment €000	Total €000
At 1 January 2017		
Cost	95	95
Accumulated depreciation	(95)	(95)
Net book amount	<u>-</u>	<u>-</u>
At 31 December 2017		
Cost	44	44
Write off cost	(51)	(51)
Write off depreciation	51	51
Accumulated depreciation	(44)	(44)
Net book amount	<u>-</u>	<u>-</u>
At 31 December 2018		
Cost	44	44
Accumulated depreciation	(44)	(44)
Net book amount	<u>-</u>	<u>-</u>

20 Investments in associates

	<u>The Group</u>		<u>The Company</u>	
	2018 €000	2017 €000	2018 €000	2017 €000
At beginning of year	88.206	86.704	32.958	32.954
Additions	-	4	-	4
Share of profit after tax	1.150	2.130	-	-
Share of changes in reserves	(244)	74	-	-
Dividends (Note 28 (iii))	(883)	(706)	-	-
At end of year	<u>88.228</u>	<u>88.206</u>	<u>32.958</u>	<u>32.958</u>

K + G Complex Public Company Limited

20 Investments in associates (continued)

Set out below are the associates of the Company and the Group, as at 31 December 2018. The associates listed below have share capital consisting exclusively of ordinary shares, held directly by the Company and the Group; the country of incorporation or registration is the place of business.

Name	Place of operations/ Country of incorporation	% of ownership interest	Principal Activities	Measurement Method in Consolidated Financial statement	Measurement Method in Company's Financial Statement
2017					
C.C.C. Secretarial Limited	Cyprus	30,00	Note 1	Equity Method	Cost Method
The Cyprus Cement Public Company Ltd	Cyprus	32,07	Note 2	Equity Method	Cost Method
2018					
C.C.C. Secretarial Limited	Cyprus	30,00	Note 1	Equity Method	Cost Method
The Cyprus Cement Public Company Ltd	Cyprus	32,07	Note 2	Equity Method	Cost Method

Note 1: C.C.C. Secretarial Limited is acting as the secretary of companies and meanwhile providing management and administrative services.

Note 2: The principal activities of The Cyprus Cement Public Company Limited are the development/exploitation of land and the undertaking of strategic investments in companies operating in hotel and tourism industry and in the production and sale of cement and related business.

As a 31 December 2018, the fair value of the Company's/Group interest in The Cyprus Cement Public Company Limited (the "associate"), which is listed on the Cyprus Stock Exchange, was €21.186 thousand (2017: €20.744 thousand). The market price listed on the stock exchange is not representative since these shares are not traded in an active market.

Important restrictions

There are no significant restrictions as a result of borrowing, regulatory requirements or contractual arrangements between investors with significant influence on affiliated companies as to the ability of affiliated companies to transfer money to the Company/the Group in the form of cash dividends or to repay loans or Advances made by the Company/the Group.

Key issues that have affected the carrying amount of the investment in the associated company The Cyprus Cement Public Company Limited

1. The fair value measurement of the investment property at 31 December 2018 has not significantly changed from the fair value as estimated by management at 31 December 2017.

The valuation of the associate's management for the investment property at 31 December 2017 was based on the comparative method taking into consideration the selling price of part of the investment property disposed on 9 March 2017, as this was determined under the loan restructuring agreement entered by the Company and other related entities, as adjusted based on the discount and the allocation of the property into notional zones to represent the fair value of the whole investment property, which was then increased by 3% to reflect the improved market conditions at 31 December 2017 compared to the transaction date. The associate's management considers that the comparative method is the most suitable for the valuation of the property considering the characteristics and uniqueness of the investment property.

K + G Complex Public Company Limited

20 Investments in associates (continued)

The area of each notional zone and the price per square meter has been determined by the associate's management as follows:

At 31 December 2018 and 31 December 2017, fair value of investment of €237.271 thousand as follows:

Notional Zone	Area (square meters '000/ %)	Price per square meter (€)
Zone A	175 / 17%	494
Zone B	82 / 8%	247 (1/2 of Zone A's price)
Zone C	799 / 75%	165 (1/3 of Zone A's price)

The valuation of the investment property has been classified as level 3 since the valuation techniques used incorporate unobservable inputs.

The table below shows the possible impact of the fair value of the investment property due to a change in the non-observable inputs (level 3).

Information in respect of valuation of investment property at fair value using non-observable inputs (Level 3) – 31 December 2018

Property	Valuation (€000)	Valuation method	Non-observable inputs	Change in input	Deviation/ Sensitivity
Land for development In Cyprus	237.271	Comparative method	Area allocation into notional zones ('000/ %)	Zone A – 106/ 10%	€20.946 thousands decrease
				Zone B – 106/ 10%	
Land for development In Cyprus	237.271	Comparative method	Price per square meter €	Zone C – 844/ 80%	€25.287 thousands decrease
				Zone A – 106/ 10%	
Land for development In Cyprus	237.271	Comparative method	Price per square meter €	Zone B – 53/ 5%	€12.061 thousands increase
				Zone C – 897/ 85%	
Land for development In Cyprus	237.271	Comparative method	Price per square meter €	Zone A – 519	€11.754 thousands decrease
				Zone B – 259	
Land for development In Cyprus	237.271	Comparative method	Price per square meter €	Zone C – 173	€11.754 thousands decrease
				Zone A – 469	
Land for development In Cyprus	237.271	Comparative method	Price per square meter €	Zone B – 235	€11.754 thousands decrease
				Zone C – 156	

- The fair value of the investment at fair value through other comprehensive income amounted to €20.703 thousand was estimated by associate's Management based on the discounted method for the valuation of the residential apartments building and the EBITDA multiple for the valuation of the hotel complex.

K + G Complex Public Company Limited

20 Investments in associates (continued)

Information in respect of valuation of fair value using significant non-observable inputs (Level 3)

Description	Fair value method	Non – observable data	Connection between non – observable data and fair value
	2018	2018	2018
Hotel complex:	Fair value method based on operating profit (EBITDA multiple)	Multiplier: 16 Expected operating profit (EBITDA): €10.000.000	The higher are the multiplier and the expected operating profit, the higher the fair value
Residential apartments building:	Discounted cash flow method	Expected sale price of residential apartments between €12.000 and €18.000 per square meter Discount rate: 7,06%	The higher the sale price per square meter is, the greater the fair value. The higher the discount rate the lower the fair value.

Sensitivity

The table below shows the possible impact on the fair value of the investment in Parklane Hotels Ltd in other comprehensive income, from the change in significant assumptions. The positive amount reflects the net possible profit and the negative amount the net possible loss to other comprehensive income.

Change in assumptions	Impact in other comprehensive income 2018 €000
<u>Operating profit method (Hotel complex)</u>	
Increase by 10% in the expected operating profit (EBITDA)	3.597
Decrease by 10% in the expected operating profit (EBITDA)	(3.597)
Increase by 1 unit in the multiplier	2.248
Decrease by 1 unit in the multiplier	(2.248)
<u>Discounted cash flow method (Residential apartments building)</u>	
Increase by 10% in expected sale price	1.825
Decrease by 10% in expected sale price	(1.825)
Increase by 10% in discount rate	(127)
Decrease by 10% in discount rate	127

The fair value of the investment is included in level 3 since the valuation techniques used incorporate unobservable inputs.

K + G Complex Public Company Limited

20 Investments in associates (continued)

Summarised balance sheet

	C.C.C Secretarial Limited		The Cyprus Cement Public Company Limited		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2018	2017	2018	2017	2018	2017
	€000	€000	€000	€000	€000	€000
Current Assets						
Cash and cash at banks	4	-	2.009	1.343	2.015	1.343
Other current assets	320	269	10.106	9.259	10.426	9.528
Total current assets	324	269	12.115	10.602	12.441	10.871
Financial liabilities (excluding trade payables)						
	-	(79)	(2)	(2)	(2)	(81)
Other current liabilities (including trade payables)	(307)	(186)	(153)	(54)	(460)	(240)
Total current liabilities	(307)	(265)	(155)	(56)	(462)	(321)
Non-current assets						
Assets	29	38	315.364	316.724	315.393	316.762
Other liabilities	-	-	(45.513)	(45.513)	(45.513)	(45.513)
Total non-current liabilities	-	-	(45.513)	(45.513)	(45.513)	(45.513)
Net assets	45	41	281.813	281.757	281.858	281.799
Net assets distributed to shareholders	45	41	275.040	274.973	275.085	275.015

K + G Complex Public Company Limited

20 Investments in associates (continued)

Statement of Comprehensive Income

	C.C.C. Secretarial Limited		The Cyprus Cement Public Company Limited		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2018 €000	2017 €000	2018 €000	2017 €000	2018 €000	2017 €000
Revenue	1.246	1.430	286	393	1.532	1.823
Depreciation	(12)	(12)	(9)	(9)	(21)	(21)
Finance costs	(1)	(2)	-	(335)	(1)	(337)
Profit/(loss) before tax	11	12	3.570	(2.292)	3.581	(2.280)
Tax charge	(7)	(6)	-	6.624	(7)	6.617
Profit for the year	4	6	3.570	4.332	3.574	4.338
Other comprehensive income/(losses)	-	-	(761)	2.518	(761)	2.518
Total comprehensive income for the year	4	6	2.809	6.850	2.813	6.856

The above information reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts).

Reconciliation of financial information

Reconciliation of the summarised financial results are presented at the carrying amount of investments in associates that are accounted using the equity method in the consolidated financial statements of the Group are as follows:

	C.C.C. Secretarial Limited		The Cyprus Cement Public Company Limited		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2018 €000	2017 €000	2018 €000	2017 €000	2018 €000	2017 €000
Summarised financial information						
Opening net assets 1 January	42	36	274.973	270.331	275.014	270.367
Profit for the year	4	6	3.570	4.332	3.574	4.338
Other comprehensive income	-	-	(761)	2.518	(761)	2.518
Dividend distribution	-	-	(2.752)	(2.224)	(2.752)	(2.224)
Closing net assets attributable to shareholders	46	42	275.040	274.973	275.085	275.015
Interests in associates (2018, 2017: 30%, 32,07%)	14	13	88.214	88.191	88.228	88.206

K + G Complex Public Company Limited

21 Investments in subsidiaries

	2018 €000	2017 €000
At the beginning of the year	2.722	3.000
Impairment charge of investment (Note 13)	-	(278)
At the end of the year	<u>2.722</u>	<u>2.722</u>

Set out below is presented the subsidiary, which is registered in Cyprus. The subsidiary has a share capital consisting exclusively of ordinary share held directly by the Company, and voting rights equal to the percentage of ownership rights that Company holds.

The country of Incorporation is also its principal place of business.

Name	Participation	Country of incorporation	Principal activities
Galatex Tourist Enterprises Limited	100%	Cyprus	Property development

At 31 December 2017, the company recognized an impairment charge of €278 thousand in relation to its investment in a subsidiary since its accounting value on 31 December 2017 exceeded its recoverable amount.

22 Inventories

	<u>The Group</u>		<u>The Company</u>	
	2018 €000	2017 €000	2018 €000	2017 €000
Land and development costs	3.859	5.136	3.859	5.136
	<u>3.859</u>	<u>5.136</u>	<u>3.859</u>	<u>5.136</u>

The cost of inventories recognized as expense in the cost of sales amounts to €1.277 thousand (2017: €566 thousand) and €1.277 thousand (2017: €566 thousand) in Group and Company's result respectively.

Inventories are stated at cost. There were no inventories for which the net book value should decrease to the net realizable value.

The Company's/Group's borrowings are secured on inventories for the amount of €20 million (Note 26).

K + G Complex Public Company Limited

23 Financial assets at amortised cost

The financial assets at amortised cost includes the following debt investments:

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Current				
Loans to related parties (Note 28 (vi))	8.104	9.440	8.104	9.440
Other receivables	41	46	41	41
	8.145	9.486	8.145	9.481

All loan receivables are receivable on demand, bear annual interest rate 3,50%, and are secured (Note 28 (vi)).

Due to the short-term nature of the current financial assets at amortised cost, their carrying amount at the balance sheet date is considered to be at fair value.

Impairment and risk exposure

Note 6 provides information on the impairment of financial assets at amortised cost and the exposure of Group's/Company's Credit Risk.

The carrying amounts of the Company's and Group's loan receivables are denominated in the following currencies:

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Euro	8.145	9.486	8.145	9.481

The maximum exposure to credit risk at the balance sheet date is the carrying value of receivables mentioned above. The Group's/Company's loan receivables are secured with Corporate Guarantees.

24 Cash and cash equivalents at bank

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2016 €000
Cash at bank and in hand	496	3	495	3
	496	3	495	3

K + G Complex Public Company Limited

24 Cash and cash equivalents (continued)

The carrying amounts of the Group's and Company's cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Cash and bank balances	496	3	495	3
Less:				
Bank overdrafts (Note 26)	-	(45)	-	(43)
	496	(42)	495	(40)

All cash and cash equivalents are denominated in Euro.

Non-cash transactions

The non-cash transactions of the Group for the current year were the following:

- The payment of dividend of €1.401 thousand against loan receivable from the parent company (Note 28(vi)).
- The assignment of €178 thousand payable to related company to subsidiary company (Note 28 (vi)).

The non-cash transactions of the Company for the current year were the following:

- The payment of dividend of €1.401 thousand against loan receivable from the parent company (Note 28(vi)).
- The assignment of €178 thousand payable to related company to subsidiary company (Note 28 (vi)).
- Set off of dividend of €115 thousand against payable to subsidiary company (Note 28 (iii)).

The non-cash transactions of the Group/Company for the year 2017 were the following:

- The settlement of loan to related company of €3.194 thousand against assignment of the amount to parent company (Note 28 (vi)).
- The payment of dividend of €1.616 thousand against loan receivable from the parent company (Note 28 (vi)).
- The assignment of €400 thousand payable to related company to subsidiary company (Note 28 (vi)).
- Loan granted to parent company, through the assignment of dividend payment of €706 thousand from the related company (Note 28 (vi)).

K + G Complex Public Company Limited

24 Cash and cash equivalents (continued)

Reconciliation of obligations arising from financing activities for the year 2018:

The Company

	Bank loans €000	Loans from related parties €000	Total borrowings from financing activities €000
Balance at 1 January 2018	13.853	3.040	16.893
Cash transactions:			
Proceeds from borrowings	-	6	6
Repayment of borrowings	(4.211)	(22)	(4.233)
Interest paid	(489)	-	(489)
Interest expenses	489	99	588
Non-cash transactions:			
Set off against dividend income (Note 28 (v))	-	(115)	(115)
Balance at 31 December 2018	<u>9.641</u>	<u>3.008</u>	<u>12.649</u>

The Group

	Bank loans €000	Total borrowings from financing activities €000
Balance at 1 January 2018	13.853	13.853
Cash transactions:		
Repayment of bank loan (capital)	(4.211)	(4.211)
Interest paid	(489)	(489)
Interest expenses	489	489
Balance at 31 December 2018	<u>9.641</u>	<u>9.641</u>

Reconciliation of obligations arising from financing activities for the year 2017:

The Company

	Bank loans €000	Loans from related parties €000	Total borrowings from financing activities €000
Balance at 1 January 2017	15.206	2.813	18.019
Cash transactions:			
Proceeds from borrowings	-	273	273
Repayment of borrowings	(1.353)	(40)	(1.393)
Interest paid	(572)	-	(572)
Interest expenses	572	103	675
Non-cash transactions:			
Set off against other balances (Note 28 (v))	-	(109)	(109)
Balance at 31 December 2017	<u>13.853</u>	<u>3.040</u>	<u>16.893</u>

K + G Complex Public Company Limited

24 Cash and cash equivalents (continued)

Reconciliation of obligations arising from financing activities for the year 2017:

The Group

	Bank loans €000	Total borrowings from financing activities €000
Balance at 1 January 2017	15.206	15.206
Cash transactions:		
Repayment of bank loan (capital)	(1.353)	(1.353)
Interest paid	(572)	(572)
Interest expenses	572	572
Balance at 31 December 2017	<u>13.853</u>	<u>13.853</u>

25 Share capital and share premium

	Number of shares	Share capital €000	Share premium €000	Total €000
At 1 January 2017/31 December 2017/ 31 December 2018	128.586.161	21.860	1.757	23.617

The total authorized number of ordinary shares is 500.000.000 shares (2017: 500.000.000 shares) with a par value of €0,17 per share (2017: €0,17 per share).

All issued shares are fully paid and carry equal voting rights.

26 Borrowings

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Current				
Bank overdrafts (Note 24)	-	45	-	43
Bank borrowings	-	13.853	-	13.853
	<u>-</u>	<u>13.898</u>	<u>-</u>	<u>13.896</u>
Non-current				
Bank borrowings	9.641	-	9.641	-
Borrowings from subsidiary company (Note 28 (v))	-	-	3.008	3.040
	<u>9.641</u>	<u>-</u>	<u>12.649</u>	<u>3.040</u>
Total borrowings	<u>9.641</u>	<u>13.898</u>	<u>12.649</u>	<u>16.936</u>
Maturities on non-current borrowings				
Between 1 to 2 years	-	-	3.008	-
Between 2 to 5 years	9.641	-	9.641	3.040
	<u>9.641</u>	<u>-</u>	<u>12.649</u>	<u>3.040</u>

K + G Complex Public Company Limited

26 Borrowings (continued)

The Company and The Group

The Company/Group during 2018 restructured its bank loan with Alpha Bank Cyprus Ltd. As a result of the restructuring, the repayment of the loan was extended for another 3 years and therefore the bank loan is repayable in November 2021. Also, the interest rate was reduced from euribor plus margin of 4.3% in euribor plus margin of 3.25%. The modification of the borrowing did not result in the repayment because the modification of the terms of the loan was not material and therefore has been accounted for as a change in the estimate using the cumulative coverage method based on the Company / Group accounting policy as presented in Note 4. No gain or loss on the results was recognized as the effect of the amendment was not material.

The bank loans and overdrafts of the Company/Group are secured as follows:

- (i) By Corporate guarantee of C.C.C. Holdings & Investments Limited for the amount of €1.500 thousand and €12.085 thousand, for bank overdrafts and bank loans respectively (Note 28 (vii)).
- (ii) By mortgage on the Company's land for the amount of €20 million (Note 22).
- (iii) Assignment of revenue from sale of plots for the amount of €12.085 thousand.

The weighted average effective interest rates at the balance sheet date were as follows:

	2018 %	2017 %
Borrowings from subsidiary	3,25	3,50
Bank borrowings	3,25	4,00
Bank overdrafts	4,00	4,63

The Company's and Group's bank borrowings and bank overdrafts are arranged at floating rates. For borrowings at floating rates the interest rate reprises on a monthly basis exposing the Company and the Group to cash flow interest rate risk.

The exposure of the Company's and Group's borrowings to interest rate changes and the contractual reprising dates at the balance sheet dates are as follows:

	<u>The Group</u>		<u>The Company</u>	
	2018 €000	2017 €000	2018 €000	2017 €000
6 months or less	9.641	13.898	9.641	16.936
	<u>9.641</u>	<u>13.898</u>	<u>9.641</u>	<u>16.936</u>

The carrying amounts of short term bank overdrafts and bank loans approximate their fair value.

K + G Complex Public Company Limited

26 Borrowings (continued)

The Company and The Group (continued)

The carrying amounts of the Company's and the Group's borrowings are denominated in the following currencies:

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Euro	9.641	13.898	12.649	13.898

The Company and the Group have the following undrawn borrowing facilities:

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Floating rate:				
- Expiring within one year	1.518	2.617	1.499	2.600

The credit facilities which expires within one year, are annual facilities and are subject to review at various dates.

27 Trade and other payables

	The Group		The Company	
	2018 €000	2017 €000	2017 €000	2017 €000
Trade payables	326	328	-	1
Other payables and accrued expenses	530	25	528	24
	857	353	528	25

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

28 Related party transactions

The Company is controlled by C.C.C. Holdings & Investments Limited, which is registered in Cyprus and holds 83,81% of the share capital of the Company. The remaining issued share capital is widely held. The ultimate parent company of the Group is George S. Galatariotis & Sons Limited.

The related companies are companies under common control and companies controlled by the Directors of the Company.

K + G Complex Public Company Limited

28 Related party transactions

The following transactions were carried out with related parties:

(i) Purchase of services from associated companies

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Management services (Note 12)	313	442	308	436
Selling and marketing services	154	218	154	218
	<u>467</u>	<u>660</u>	<u>462</u>	<u>654</u>

The services are charged from C.C.C. Secretarial Limited and are based on the time spent by its employees on the affairs of the Company and office space allocated to the Company/Group.

(ii) Interest on balances with related companies

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Interest payable (Note 15):				
Subsidiary company	-	-	98	103
	<u>-</u>	<u>-</u>	<u>98</u>	<u>103</u>
Interest receivable from loans and balances (Note 10):				
Associate company	-	21	-	21
Parent company	84	106	84	106
Ultimate parent company	225	217	225	217
	<u>309</u>	<u>344</u>	<u>309</u>	<u>344</u>

(iii) Dividends receivable

	The Company	
	2018 €000	2017 €000
Dividends receivable (Note 10):		
Subsidiary company	115	109
Associate company	883	706
	<u>998</u>	<u>815</u>

K + G Complex Public Company Limited

28 Related party transactions (continued)

(iv) Key management personnel and Directors compensation

The total remuneration of the key management personnel and Directors was as follows:

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Director and Audit Committee Fees (Note 12)	4	2	4	2
Emoluments in their executive capacity (Note 12)	33	33	33	33
	<u>37</u>	<u>35</u>	<u>37</u>	<u>35</u>

The Group and the Company

	Wages €000	Employer's contributions €000	Fees €000	Total €000
Year ended 31 December 2018				
Executive Directors ⁽¹⁾	32	1	4	37
Total	<u>32</u>	<u>1</u>	<u>4</u>	<u>37</u>
Year ended 31 December 2017				
Executive Directors ⁽¹⁾	32	1	2	35
Total	<u>32</u>	<u>1</u>	<u>2</u>	<u>35</u>

⁽¹⁾ The Director who has a remuneration is Mr. George St. Galatariotis and the Directors who has annual fee for their services as members of the Board of Directors and Audit Committee are Mr. George St. Galatariotis (€400), Michalis Christoforou (€800), Costas Galatariotis (€400), Stavros G. St. Galatariotis (€400), Michalis Mousiouttas (€800) and Antonis Antoniou Latouros (€800).

(v) Loans from related parties

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Borrowings from subsidiary company:				
At beginning of year	-	-	3.040	2.813
Loans granted during the year	-	-	6	273
Loans repaid during the year	-	-	(22)	(40)
Loans offset against balance from dividends (Note 28 (iii))	-	-	(115)	(109)
Interest charged (Note 15)	-	-	99	103
At end of year (Note 26)	<u>-</u>	<u>-</u>	<u>3.008</u>	<u>3.040</u>

The loan from the subsidiary Company amounted to €3.008 thousand bears annual interest rate at 3,25%, is unsecured and is repayable until 2020.

K + G Complex Public Company Limited

28 Related party transactions (continued)

(vi) Loans to related parties

	The Group		The Company	
	2018 €000	2017 €000	2018 €000	2017 €000
Loans granted to the parent company, ultimate parent company and associated company:				
At beginning of year	9.440	9.878	9.440	9.878
Loans repaid during the year	(69)	-	(69)	-
Loans granted during the year	3	528	3	528
Assignment of loan receivable from related company	-	3.194	-	3.194
Assignment of balance from dividend income	-	706	-	706
Loan set off against dividend payable	(1.401)	(1.616)	(1.401)	(1.616)
Balance assigned	(178)	(400)	(178)	(400)
Assignment of loan receivable to parent company	-	(3.194)	-	(3.194)
Interest credit (Note 10)	309	344	309	344
At end of year (Note 23)	8.104	9.440	8.104	9.440

The loan to the ultimate parent company amounted to €6.663 thousand (2017: 6.438 thousand), is secured by corporate guarantee from Galatariotis Enterprises Ltd, is repayable on demand and bears annual interest rate of 3,50% (2017: 3,50%),

The loan to the parent company, C.C.C. Holdings & Investment Limited amounted to €1.441 thousand (2017: €3.002 thousand), is secured by corporate guarantee from George S. Galatariotis & Sons Ltd, is repayable on demand and bears annual interest rate of 3,50% (2017: 3,50%).

(vii) Loan guarantees from related companies

The parent company C.C.C. Holdings & Investments Limited, has guaranteed a loan and a bank overdraft provided to the Company/Group for the amount of €12.085 thousand and €1.500 thousand respectively (Note 26).

29 Contingent liabilities

The Board of Directors of the Company/Group does not expect to have any significant liabilities to the Company/Group.

30 Events after the balance sheet date

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

K + G Complex Public Company Limited

31 Significant accounting policies until 31 December 2017

The accounting policies applied during the comparative period ending 31 December 2017 and amended by IFRS 9 and IFRS 15 are as follows.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for the sale of goods and services in the ordinary course of the Group's and Company's activities, net of discounts.

The Group and the Company recognise revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's and Company's activities as described below. The Company and the Group base their estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenues earned by the Group and the Company are recognised on the following bases:

(i) Sales of immovable property

Sales of completed property are recognized when significant risks and rewards of ownership of the property have been transferred to the customer. This is usually when the Group and the Company has sold or delivered goods to the customer, the customer has accepted the goods and collectability of the related receivable is reasonably assured.

(ii) Interest income

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Company/Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

(iii) Dividend income

Dividend income is recognised when the right of the Company/Group to receive payment is established. However the investment may need to be tested for impairment as a consequence.

Financial assets

(i) Classification

The Company/Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

K + G Complex Public Company Limited

31 Summary of significant accounting policies until 31 December 2017 (continued)

Financial assets (continued)

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. The Company's/Group's loans and receivables comprise "loans receivable", "trade and other receivables" and "cash and bank balances" in the balance sheet.

(ii) **Recognition and measurement**

Regular way purchases and sales of financial assets are recognised on the trade date which is the date on which the Company/the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company/the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method.

(iii) **Impairment of financial assets**

The Company/Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company/Group may measure impairment on the basis of an instrument's fair value using an observable market price.

K + G Complex Public Company Limited

31 Summary of significant accounting policies until 31 December 2017 (continued)

(iii) Impairment of financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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, unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment (for liquidity services) and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowing costs are interest and other costs that the Company/Group incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company/Group and the costs can be measured reliably.

Borrowings are classified as current liabilities, unless the Company/Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less and bank overdrafts. In the balance sheet bank overdrafts are shown within borrowings in current liabilities.

Independent auditor's report on pages 10 to 17.