

NEREGELIA TRADING LIMITED

REPORT AND FINANCIAL
STATEMENTS
31 December 2019

NEREGELIA TRADING LIMITED

REPORT AND FINANCIAL STATEMENTS 31 December 2019

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NEREGELIA TRADING LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Pavlina Tsiridou
Alfo Services Limited

Company Secretary:

Alfo Secretarial Limited

Independent Auditors:

G. ECONOMIDES & CO. LTD
Chartered Accountants
4 Evagora Papachristoforou str.,
Themis Court
3rd floor, office 301
3030 Limassol, Cyprus

Registered office:

Griva Digheni
Panayides Building
2nd floor, office 3
3030 Limassol, Cyprus

Bankers:

Eurobank Cyprus Ltd
Banca Intensa
Bank of Cyprus Public Company Ltd

Registration number:

HE95511

NEREGELIA TRADING LIMITED

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2019.

Principal activity and nature of operations of the Company

The principal activity of the Company, which is unchanged from last year, is the general trading and the operation of an investment company.

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

The Company's development to date, financial results and position as presented in the financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company's losses.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 6, 7 and 21 of the financial statements.

Use of financial instruments by the Company

The Company is exposed to interest rate risk, credit risk and dividends from the financial instruments it holds.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from cash and cash equivalents including outstanding receivables and contract assets as well as lease receivables. Further, credit risk arises from financial guarantees and credit related commitments.

Liquidity risk

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

Results

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

Dividends

On 31st December 2019 the Company in General Meeting declared the payment of a final dividend of €6.234.188 for the year ended 31st December 2017 (2018: €1.385.086 for the year ended 31st December 2016).

Share capital

Board of Directors

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

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

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

NEREGELIA TRADING LIMITED

REPORT OF THE BOARD OF DIRECTORS

Independent Auditors

The Independent Auditors, G. ECONOMIDES & CO. LTD, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Pavlina Tsiroidou
Director

Limassol, 20 November 2020

Independent Auditor's Report

To the Members of NEREGELIA TRADING LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of parent company NEREGELIA TRADING LIMITED (the "Company"), which are presented in pages 7 to 29 and comprise the statement of financial position as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of parent company NEREGELIA TRADING LIMITED as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Other information

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

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

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

Responsibilities of the Board of Directors for the Financial Statements

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

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

Independent Auditor's Report (continued)

To the Members of NEREGELIA TRADING LIMITED

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal Requirements

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

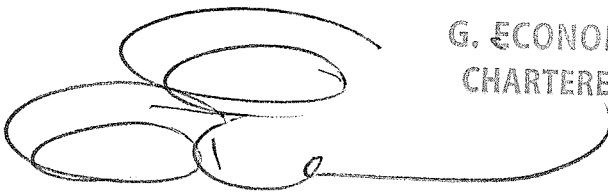
- In our opinion, the Report of the Board of Directors has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company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

Independent Auditor's Report (continued)

To the Members of NEREGELIA TRADING LIMITED

Other Matter

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



G. ECONOMIDES & CO. LTD
CHARTERED ACCOUNTANTS

Elena Demetriou
Chartered Accountant and Registered Auditor
for and on behalf of
G. ECONOMIDES & CO. LTD
Chartered Accountants

Limassol, 20 November 2020

NEREGELIA TRADING LIMITED

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

	Note	2019 €	2018 €
Revenue	8	1.572.200	3.389.039
Dividend income		809.794	8.735.000
Interest income		171.495	-
Total revenue		2.553.489	12.124.039
Cost of sales		(314.000)	(1.287.891)
Gross profit		2.239.489	10.836.148
Selling and distribution expenses		(205.000)	(40.000)
Administration expenses		(4.653.185)	(1.840.109)
Operating (loss)/profit		(2.618.696)	8.956.039
Finance costs	11	(19.367)	(19.230)
(Loss)/profit before tax		(2.638.063)	8.936.809
Tax	12	219.512	(91.520)
Net (loss)/profit for the year		(2.418.551)	8.845.289
Other comprehensive income		-	-
Total comprehensive income for the year		(2.418.551)	8.845.289

The notes on pages 11 to 29 form an integral part of these financial statements.

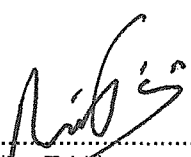
NEREGELIA TRADING LIMITED

STATEMENT OF FINANCIAL POSITION

31 December 2019

	Note	2019 €	2018 €
ASSETS			
Non-current assets			
Intangible assets	14	3.100.000	4.150.000
Investments in subsidiaries	15	20.242.997	20.157.577
Deferred tax assets	19	617.752	398.240
		<u>23.960.749</u>	<u>24.705.817</u>
Current assets			
Trade and other receivables	16	14.165.010	14.053.285
Cash at bank and in hand	17	512.671	2.730.864
		<u>14.677.681</u>	<u>16.784.149</u>
Total assets		<u>38.638.430</u>	<u>41.489.966</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18	19.100	19.100
Share premium		853.000	853.000
Retained earnings		30.152.846	38.805.585
Total equity		<u>31.024.946</u>	<u>39.677.685</u>
Current liabilities			
Trade and other payables	20	28.210	461.195
Payables to parent	22	7.585.274	1.351.086
		<u>7.613.484</u>	<u>1.812.281</u>
Total equity and liabilities		<u>38.638.430</u>	<u>41.489.966</u>

On 20 November 2020 the Board of Directors of NEREGELIA TRADING LIMITED authorised these financial statements for issue.


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Pavlina Tsiridou
Director

ALFO SERVICES LTD

.....
Alfo Services Limited
Director

The notes on pages 11 to 29 form an integral part of these financial statements.

NEREGELIA TRADING LIMITED

STATEMENT OF CHANGES IN EQUITY

31 December 2019

	Note	Share capital €	Share premium €	Retained earnings €	Total €
Balance at 1 January 2018		17.100	-	31.345.382	31.362.482
Comprehensive income					
Net profit for the year		-	-	8.845.289	8.845.289
Total comprehensive income for the year		-	-	8.845.289	8.845.289
Transactions with owners					
Issue of share capital	18	2.000	853.000	-	855.000
Dividends	13	-	-	(1.385.086)	(1.385.086)
Total transactions with owners		2.000	853.000	(1.385.086)	(530.086)
Balance at 31 December 2018/ 1 January 2019		19.100	853.000	38.805.585	39.677.685
Comprehensive income					
Net loss for the year		-	-	(2.418.551)	(2.418.551)
Total comprehensive income for the year		-	-	(2.418.551)	(2.418.551)
Transactions with owners					
Dividends	13	-	-	(6.234.188)	(6.234.188)
Total transactions with owners		-	-	(6.234.188)	(6.234.188)
Balance at 31 December 2019		19.100	853.000	30.152.846	31.024.946

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% and GHS contribution at 1.7%-2,65% for deemed distributions after 1 March 2019 will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 11 to 29 form an integral part of these financial statements.

NEREGELIA TRADING LIMITED

CASH FLOW STATEMENT

31 December 2019

	Note	2019 €	2018 €
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(2.638.063)	8.936.809
Adjustments for:			
Amortisation of computer software	14	1.050.000	1.050.000
Dividend income		(809.794)	(8.735.000)
Interest income		(171.495)	-
		(2.569.352)	1.251.809
Changes in working capital:			
Increase in trade and other receivables		(111.725)	(2.203.711)
Decrease in trade and other payables		(432.985)	(2.812.358)
Increase in payables to parent		6.234.188	1.351.086
Cash generated from/(used in) operations		3.120.126	(2.413.174)
Interest received		171.495	-
Dividends received		809.794	8.735.000
Net cash generated from operating activities		4.101.415	6.321.826
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	15	(85.420)	(3.287.190)
Net cash used in investing activities		(85.420)	(3.287.190)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	855.000
Dividends paid		(6.234.188)	(1.385.086)
Net cash used in financing activities		(6.234.188)	(530.086)
Net (decrease)/increase in cash and cash equivalents		(2.218.193)	2.504.550
Cash and cash equivalents at beginning of the year		2.730.864	226.314
Cash and cash equivalents at end of the year	17	512.671	2.730.864

The notes on pages 11 to 29 form an integral part of these financial statements.

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

1. Incorporation and principal activities

Country of incorporation

The Company NEREGELIA TRADING LIMITED (the "Company") was incorporated in Cyprus on 20 June, 1998 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Griva Digheni, Panayides Building, 2nd floor, office 3, 3030 Limassol, Cyprus.

Principal activity

The principal activity of the Company, which is unchanged from last year, is the general trading and the operation of an investment company.

2. Basis of preparation

The Company has prepared these parent's separate financial statements for compliance with the requirements of the Cyprus Income Tax Law.

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

3. Adoption of new or revised standards and interpretations

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

4. Significant accounting policies

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

Subsidiary companies

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

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

Revenue

Recognition and measurement

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

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Revenue recognition (continued)

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

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

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

Identification of performance obligations

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

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a Customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a Customer.

- **Sale of goods**

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

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Revenue recognition (continued)

- **Rendering of services**

Rendering of services - over time:

Revenue from rendering of services is recognised over time while the Company satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered.

For fixed price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

The input method is used to measure progress toward completion of the performance obligation as it provides a faithful depiction of the transfer of the control of the services to the customer.

Rendering of services - at a point in time:

The Company concluded that it transfers control over its services at a point in time, upon receipt by the customer of the service, because this is when the customer benefits from the relevant service.

- **Commission income**

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

- **Interest income**

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

- **Dividend income**

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

Finance costs

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

Tax

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

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

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

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

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Tax (continued)

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

Dividends

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programs are recognised as an expense when incurred. Computer software costs are amortised using the straight-line method over their useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Impairment of non-financial assets

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

Financial instruments

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

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

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

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

All other financial assets are classified as measured at FVTPL.

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

Financial assets - Recognition and derecognition

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

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

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets - Measurement

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

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

Financial assets - impairment - credit loss allowance for ECL

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

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets". Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

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

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

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

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

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets -Reclassification

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

Financial assets - write-off

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

Financial assets - modification

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

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

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

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. 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.

Classification as financial assets at amortised cost

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

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Financial instruments (continued)

Classification as trade receivables

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

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

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

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

Credit related commitments

The Company issues commitments to provide loans. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight-line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Company will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Company cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Financial liabilities - measurement categories

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

Trade payables

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

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

4. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities - Modifications

An exchange between the 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. (In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.)

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 are interest and other costs that the 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.

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 and the costs can be measured reliably.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

5. New accounting pronouncements

Standards issued but not yet effective

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Company has not early adopted, as follows:

(i) Issued by the IASB and adopted by the European Union

Amendments

IFRS Interpretations Committee

- *Amendments to IAS 1 and IAS 8: Definition of Material (issued on 31 October 2018) (effective for annual periods beginning on or after 1 January 2020).*
- *Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020)*
- *Amendment to IFRS 3 Business Combinations (issued on 22 October 2018) (effective for annual periods beginning on or after 1 January 2020)*
- *Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform (issued on 26 September 2019) (effective for annual periods beginning on or after 1 January 2020).*

(ii) Issued by the IASB but not yet adopted by the European Union

New standards

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

Amendments

- *Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020) (effective for annual periods beginning on or after 1 January 2022).*
- *IFRS 10 (Amendments) and IAS 28 (Amendments) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date postponed indefinitely).*

The above are expected to have no significant impact on the Company's financial statements when they become effective.

6. Financial risk management

Financial risk factors

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

6.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

6.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from [cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets as well as lease receivables. Further, credit risk arises from financial guarantees and credit related commitments.]

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

6. Financial risk management (continued)

6.2 Credit risk (continued)

(i) Impairment of financial assets

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

- trade receivables
- cash and cash equivalents
- credit commitments
- financial guarantees.

Trade receivables and contract assets

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

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

There were no significant trade receivable and contract asset balances written off during the year that are subject to enforcement activity.

Cash and cash equivalents

The Company assesses, on a group basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions and internal ratings, if external are not available.

There were no significant cash at bank balances written off during the year that are subject to enforcement activity.

(ii) Credit related commitments

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

6.3 Liquidity risk

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

6.4 Capital risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

7. Critical accounting estimates and judgments

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

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

Critical accounting estimates and assumptions

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

- **Calculation of loss allowance**

When measuring expected credit losses the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- **Income taxes**

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

Critical judgements in applying the Company's accounting policies

- **Impairment of investments in subsidiaries**

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

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

7. Critical accounting estimates and judgments (continued)

- **Impairment of loans receivable**

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

- **Impairment of financial assets**

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

- **Impairment of intangible assets**

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

8. Revenue

	2019	2018
	€	€
Sales of products	-	2.151.039
Rendering of services	472.200	138.000
Commissions receivable	1.100.000	1.100.000
	<u>1.572.200</u>	<u>3.389.039</u>

9. Expenses by nature

	2019	2018
	€	€
Changes in inventories of finished goods and work in progress	314.000	1.287.891
Staff costs (Note 10)	52.250	51.520
Depreciation and amortisation expense	1.050.000	1.050.000
Auditors' remuneration	2.500	2.500
Consulting fees	250.000	606.150
Commissions	-	40.000
Management fees	2.200.000	-
Advertising	205.000	-
Information Technology services and support	948.000	-
Other expenses	150.435	129.939
Total expenses	<u>5.172.185</u>	<u>3.168.000</u>

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

10. Staff costs

	2019	2018
	€	€
Salaries	<u>52.250</u>	51.520
	<u>52.250</u>	<u>51.520</u>

11. Finance costs

	2019	2018
	€	€
Sundry finance expenses	<u>19.367</u>	19.230
Finance costs	<u>19.367</u>	<u>19.230</u>

12. Tax

	2019	2018
	€	€
Deferred tax - (credit)/charge (Note 19)	<u>(219.512)</u>	91.520
(Credit)/charge for the year	<u>(219.512)</u>	<u>91.520</u>

The tax on the Company's results before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2019	2018
	€	€
(Loss)/profit before tax	<u>(2.638.063)</u>	<u>8.936.809</u>
Tax calculated at the applicable tax rates	(329.758)	1.117.101
Tax effect of expenses not deductible for tax purposes	131.294	131.294
Tax effect of allowances and income not subject to tax	(166.224)	(1.156.875)
Tax effect of tax losses brought forward	-	(91.520)
Tax effect of tax loss for the year	364.688	-
Deferred tax	<u>(219.512)</u>	91.520
Tax charge	<u>(219.512)</u>	<u>91.520</u>

The corporation tax rate is 12,5%.

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

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

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

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

13. Dividends

	2019	2018
	€	€
Final dividend paid	<u>6.234.188</u>	1.385.086
	<u>6.234.188</u>	<u>1.385.086</u>

On 31st December 2019 the Company in General Meeting declared the payment of a final dividend of €6.234.188 for the year ended 31st December 2019 (2018: €1.385.086 for the year ended 31st December 2018).

Dividends are subject to a deduction of special contribution for defence at 17% for individual shareholders that are both Cyprus tax resident and Cyprus domiciled.

14. Intangible assets

	Computer software €
Cost	
Balance at 1 January 2018	<u>5.200.000</u>
Balance at 31 December 2018/ 1 January 2019	<u>5.200.000</u>
Balance at 31 December 2019	<u>5.200.000</u>
Amortisation	
Amortisation for the year (Note 9)	<u>1.050.000</u>
Balance at 31 December 2018/ 1 January 2019	<u>1.050.000</u>
Amortisation for the year (Note 9)	<u>1.050.000</u>
Balance at 31 December 2019	<u>2.100.000</u>
Net book amount	
Balance at 31 December 2019	<u>3.100.000</u>
Balance at 31 December 2018	<u>4.150.000</u>

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

15. Investments in subsidiaries

	2019 €	2018 €
Balance at 1 January	20.157.577	16.870.387
Additions	<u>85.420</u>	<u>3.287.190</u>
Balance at 31 December	<u>20.242.997</u>	<u>20.157.577</u>

The details of the subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2019 Holding %	2018 Holding %	2019 €	2018 €
Nelt Doo	Bosnia Herzegovina	Wholesale and retail	83	78.68	3.537.680	3.537.680
Neregelia Podgorica d.o.o	Montenegro	Wholesale and retail	100	100	52.663	52.663
Nelt Co	Serbia	Wholesale and retail	100	100	85.987	85.987
NELO ENERGY D.O.O.	Serbia	Wholesale and retail	100	100	500	500
NELT S.T	F.Y.R.O.M	Wholesale and retail	100	100	10.175.000	10.175.000
Nelt Line	F.Y.R.O.M	Wholesale and retail	100	100	5.000	5.000
Nelt Log	F.Y.R.O.M	Wholesale and retail	100	100	5.000	5.000
Montenomaks Control & Logistics	Montenegro	Wholesale and retail	80	80	3.595.137	3.595.137
NELT LLC	Kosovo	Wholesale and retail	100	51	1.429.580	1.349.260
Nelt Africa	Africa	Wholesale and retail	100	100	100	100
All Balkans Corporation Albania	Albania	Wholesale and retail	100	-	1.351.250	1.351.250
Bondea Investments Ltd	Cyprus	Investments	51	-	5.100	-
					<u>20.242.997</u>	<u>20.157.577</u>

16. Trade and other receivables

	2019 €	2018 €
Trade receivables	6.109.464	8.690.449
Loans receivable	7.889.214	5.361.504
Deferred expenses	165.000	-
Refundable VAT	1.332	1.332
	<u>14.165.010</u>	<u>14.053.285</u>

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

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

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

17. Cash at bank and in hand

Cash balances are analysed as follows:

	2019	2018
	€	€
Cash at bank	<u>512.671</u>	2.730.864
	<u>512.671</u>	<u>2.730.864</u>

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

18. Share capital

	2019	2019	2018	2018
	Number of shares	€	Number of shares	€
Authorised				
Ordinary shares of €1,71 each	10.000	17.100	10.000	17.100
Ordinary shares of €1 each	<u>2.000</u>	<u>2.000</u>	2.000	2.000
	<u>12.000</u>	<u>19.100</u>	<u>12.000</u>	<u>19.100</u>
Issued and fully paid				
Balance at 1 January	12.000	19.100	10.000	17.100
Issue of shares	-	-	2.000	2.000
Balance at 31 December	<u>12.000</u>	<u>19.100</u>	<u>12.000</u>	<u>19.100</u>

19. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 12). The applicable corporation tax rate in the case of tax losses is 12,5%.

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

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

The movement on the deferred taxation account is as follows:

Deferred tax assets	Tax losses
	€
Balance at 1 January 2018	489.760
Charged/(credited) to:	
Statement of profit or loss and other comprehensive income (Note 12)	<u>(91.520)</u>
Balance at 31 December 2018/ 1 January 2019	398.240
Charged/(credited) to:	
Statement of profit or loss and other comprehensive income (Note 12)	<u>219.512</u>
Balance at 31 December 2019	<u>617.752</u>

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

20. Trade and other payables

	2019	2018
	€	€
Trade payables	25.709	458.694
Accruals	<u>2.501</u>	<u>2.501</u>
	<u><u>28.210</u></u>	<u><u>461.195</u></u>

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

21. Operating Environment of the Company

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

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

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

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

22. Related party transactions

The following transactions were carried out with related parties:

22.1 Directors' remuneration

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

	2019	2018
	€	€
Directors' fees	<u>1.071</u>	<u>1.071</u>
	<u><u>1.071</u></u>	<u><u>1.071</u></u>

NEREGELIA TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

22. Related party transactions (continued)

22.2 Loans to subsidiary companies

	2019	2018
	€	€
Nelt Line Macedonia	330.000	330.000
Nelt Log Macedonia	30.000	30.000
Nelt Co D.o.o.	3.150.000	1.500.000
NELT LCC	308.040	206.040
Prelimio Holdings Ltd	175.674	173.464
All Balkans Corporation Albania	850.000	550.000
	<u>4.843.714</u>	<u>2.789.504</u>

22.3 Payables to related parties

	2019	2018
Name	€	€
Tymarsia Holdings Ltd	3.792.637	675.543
Restrampello Holdings Ltd	3.792.637	675.543
	<u>7.585.274</u>	<u>1.351.086</u>

23. Contingent liabilities

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

24. Commitments

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

25. Events after the reporting period

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

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

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

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

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

Independent auditor's report on pages 4 to 6

NEREGELIA TRADING LIMITED

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

CONTENTS	PAGE
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Calculation of tax losses for the five year period	7

NEREGELIA TRADING LIMITED

DETAILED INCOME STATEMENT

31 December 2019

	Page	2019 €	2018 €
Revenue			
Sales of products		-	2.151.039
Rendering of services		472.200	138.000
Commissions receivable		1.100.000	1.100.000
Dividend income		809.794	8.735.000
Interest income		171.495	-
Cost of sales	3	(314.000)	(1.287.891)
Gross profit		2.239.489	10.836.148
Operating expenses			
Administration expenses	4	(4.653.185)	(1.840.109)
Selling and distribution expenses	4	(205.000)	(40.000)
Operating (loss)/profit		(2.618.696)	8.956.039
Finance costs	5	(19.367)	(19.230)
Net (loss)/profit for the year before tax		(2.638.063)	8.936.809

NEREGELIA TRADING LIMITED

COST OF SALES 31 December 2019

	2019	2018
	€	€
Cost of sales		
Purchases	-	1.287.891
Return of expired stock	<u>314.000</u>	<u>-</u>
	<u>314.000</u>	<u>1.287.891</u>

NEREGELIA TRADING LIMITED

ADMINISTRATIVE EXPENSES

31 December 2019

	2019	2018
	€	€
Administration expenses		
Staff salaries	52.250	51.520
Rent	3.000	3.000
Municipality taxes	1.720	1.690
Annual levy	350	350
Electricity	1.870	1.620
Insurance	720	660
Telephone and postage	720	885
Staff training	84.638	49.410
Auditors' remuneration	2.500	2.500
Legal fees	29.081	51.887
Secretarial fees	536	536
Nominee fees	8.642	536
Registered office fees	357	357
Legal and professional	-	1.377
Directors' fees	1.071	1.071
Overseas travelling	17.730	16.560
Information Technology services and support	948.000	-
Management fees	2.200.000	-
Consulting fees	250.000	606.150
Amortisation of computer software	1.050.000	1.050.000
	<u>4.653.185</u>	<u>1.840.109</u>

	2019	2018
	€	€
Selling and distribution expenses		
Advertising	205.000	-
Commissions	-	40.000
	<u>205.000</u>	<u>40.000</u>

NEREGELIA TRADING LIMITED

FINANCE EXPENSES

31 December 2019

	2019	2018
	€	€
Finance costs		
Sundry finance expenses		
Bank charges	<u>19.367</u>	<u>19.230</u>
	<u>19.367</u>	<u>19.230</u>

NEREGELIA TRADING LIMITED

COMPUTATION OF WEAR AND TEAR ALLOWANCES

31 December 2019

Year	%	COST			ANNUAL ALLOWANCES			Net value 31/12/2019 €
		Balance 1/1/2019 €	Additions for the year €	Disposals for the year €	Balance 31/12/2019 €	Charge for the year €	On disposals €	
2016	10	5,200,000	-	-	5,200,000	520,000	-	4,160,000
		<u>5,200,000</u>			<u>5,200,000</u>	<u>520,000</u>		<u>4,160,000</u>

Platform
Cost

NEREGELIA TRADING LIMITED

COMPUTATION OF CORPORATION TAX

31 December 2019

Net loss per income statement	Page	€	€
	2		(2.638.063)
<u>Add:</u>			
Depreciation		1.050.000	
Annual levy		350	
			<u>1.050.350</u>
			(1.587.713)
<u>Less:</u>			
Annual wear and tear allowances	6	520.000	
Dividends received		809.794	
			<u>(1.329.794)</u>
Net loss for the year			(2.917.507)
Loss brought forward			(3.185.923)
Losses restricted by Tax Commissioner			<u>341.944</u>
Loss			(5.761.486)
Unutilised loss of the year 2014 not carried forward			<u>819.469</u>
Net loss carried forward			<u>(4.942.017)</u>

CALCULATION OF TAX LOSSES FOR THE FIVE YEAR PERIOD

Tax year	Profits/(losses) for the tax year	Gains Offset		Gains Offset		Gains Offset	
		€	Amount €	Year	Amount €	Year	Amount €
2014	(2.573.091)	-	-	-	-	-	-
2015	(250.695)	-	-	-	-	-	-
2016	(1.773.815)	-	-	-	-	-	-
2017	1.633.675	708.668	2012	245.488	2013	679.519	2014
2018	732.159	732.159	2014	-	-	-	-
2019	(2.917.507)	-	-	-	-	-	-

Tax year	Profits/(losses) for the tax year	Gains Offset		
		€	Amount €	Year
2014	(2.573.091)	-	-	-
2015	(250.695)	-	-	-
2016	(1.773.815)	-	-	-
2017	1.633.675	-	-	-
2018	732.159	-	-	-
2019	(2.917.507)	-	-	-

Net loss carried forward (4.942.017)

