

DELILAYI HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2019

DELILAYI HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2019

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DELILAYI HOLDINGS LIMITED**OFFICERS AND PROFESSIONAL ADVISORS**

Board of Directors	Clintone Secretarial Services Limited Constantinos Tsangarides Nimrod Ben Ami Pantelakis Mesarites
Secretary	Clintone Secretarial Services Limited
Independent Auditors	KPMG Limited
Registered Office	1 Thiseos Avenue 2411 Egkomi Nicosia Cyprus



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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF

DELILAYI HOLDINGS LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of the parent company Delilayi Holdings Limited (the "Company"), which are presented on pages 6 to 26 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 the parent company Delilayi Holdings 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 as adopted by the European Union ("IFRS-EU") and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time (the "Companies Law, Cap. 113").

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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 "*Auditors' responsibilities for the audit of the financial statements*" section of our report. We are independent of the Company in accordance with the International Code of Ethics (including International Independence Standards) for Professional Accountants of the International Ethics Standards Board for Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2.3 to the financial statements which indicates that even though the Company has made a profit of €1.773.603 during the year ended 31 December 2019 as of that date the Company's current liabilities exceeded its current assets by €23.896.993 and its total liabilities exceeded its total assets by €9.929.442. These events or conditions, along with other matters as set forth in indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS-EU and the requirements of the 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 there is an intention to either liquidate the Company or to cease operations, or there is no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 skepticism 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 auditors' 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 auditors' 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.

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 2017, L.53(I)/2017, as amended from time to time 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.



Michalis Antoniadis, FCA
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

29 September 2021

DELILAYI HOLDINGS LIMITED
STATEMENT OF FINANCIAL POSITION


As at 31 December 2019

	Note	2019 €	2018 €
Assets			
Non-current assets			
Investments in subsidiaries	12	7.146.870	7.146.877
Loans receivable	13	<u>6.820.681</u>	<u>2.102.014</u>
Total non-current assets		<u>13.967.551</u>	<u>9.248.891</u>
Current assets			
Trade and other receivables	14	782	782
Loans receivable	13	2.215.877	4.064.934
Cash at bank	15	<u>8.878</u>	<u>10.085</u>
Total current assets		<u>2.225.537</u>	<u>4.075.801</u>
Total assets		<u>16.193.088</u>	<u>13.324.692</u>
Equity			
Share capital	16	1.710	1.710
Reserves		<u>(9.931.152)</u>	<u>(11.704.755)</u>
Total equity		<u>(9.929.442)</u>	<u>(11.703.045)</u>
Current liabilities			
Short term loans	17	26.045.544	24.965.346
Trade and other payables	18	<u>76.986</u>	<u>62.391</u>
Total current liabilities		<u>26.122.530</u>	<u>25.027.737</u>
Total equity and liabilities		<u>16.193.088</u>	<u>13.324.692</u>

On 29 September 2021 the Board of Directors of Delilayi Holdings Limited approved and authorised these financial statements for issue.

CLINTONE SECRETARIAL SERVICES LTD

.....
 Clintone Secretarial Services Limited
 Director



 Constantinos Tsangarides
 Director

The notes on pages 10 to 26 are an integral part of these financial statements.

DELILAYI HOLDINGS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOMEFor the year ended 31 December 2019

	Note	2019 €	2018 €
Other operating income	7	2.573.702	-
Administrative expenses	8	<u>(11.564)</u>	<u>(6.206)</u>
Operating profit/(loss)		<u>2.562.138</u>	<u>(6.206)</u>
Finance income - total		352.385	314.486
Finance costs - total		<u>(1.140.920)</u>	<u>(1.104.523)</u>
Net finance expenses	10	<u>(788.535)</u>	<u>(790.037)</u>
Profit/(loss) before tax		1.773.603	(796.243)
Tax	11	<u>-</u>	<u>-</u>
Profit/(loss) for the year		<u>1.773.603</u>	<u>(796.243)</u>
Other comprehensive income		-	-
Total comprehensive income/(expense) for the year		<u>1.773.603</u>	<u>(796.243)</u>

The notes on pages 10 to 26 are an integral part of these financial statements.

DELILAYI HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital €	Retained earnings €	Total €
Balance at 1 January 2018	1.710	(10.908.512)	(10.906.802)
Comprehensive income			
Loss for the year	-	(796.243)	(796.243)
Balance at 31 December 2018	<u>1.710</u>	<u>(11.704.755)</u>	<u>(11.703.045)</u>
Balance at 1 January 2019	1.710	(11.704.755)	(11.703.045)
Comprehensive income			
Profit for the year	-	1.773.603	1.773.603
Balance at 31 December 2019	<u>1.710</u>	<u>(9.931.152)</u>	<u>(9.929.442)</u>

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31st of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits refer. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, from 2019 (deemed dividend distribution of year 2017 profits), the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65% (31.12.2019 1,70%), when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

The notes on pages 10 to 26 are an integral part of these financial statements.

DELILAYI HOLDINGS LIMITED**STATEMENT OF CASH FLOWS****For the year ended 31 December 2019**

	Note	2019 €	2018 €
Cash flows from operating activities			
Profit/(loss) for the year		1.773.603	(796.243)
Adjustments for:			
(Profit) from the sale of investments in subsidiaries		(2.573.702)	-
Interest income	10	(352.385)	(314.486)
Interest expense	10	<u>1.139.745</u>	<u>1.103.638</u>
Cash used in operations before working capital changes		(12.739)	(7.091)
Decrease in trade and other receivables		-	9.500
Increase in trade and other payables		<u>14.595</u>	<u>12.257</u>
Cash generated from operations		<u>1.856</u>	<u>14.666</u>
Cash flows from investing activities			
Payment for acquisition of investments in subsidiaries	12	(1.155)	(2.324)
Loans granted		(2.869.610)	(2.730.217)
Loans repayments received		-	2.199.217
Proceeds from sale of investments in subsidiary undertakings		<u>2.927.249</u>	-
Net cash generated from/(used in) investing activities		<u>56.484</u>	<u>(533.324)</u>
Cash flows from financing activities			
Repayment of borrowings		(59.547)	(375.148)
Proceeds from borrowings		-	<u>902.712</u>
Net cash (used in)/generated from financing activities		<u>(59.547)</u>	<u>527.564</u>
Net (decrease)/increase in cash and cash equivalents		(1.207)	8.906
Cash and cash equivalents at beginning of the year		<u>10.085</u>	<u>1.179</u>
Cash and cash equivalents at end of the year	15	<u>8.878</u>	<u>10.085</u>

The notes on pages 10 to 26 are an integral part of these financial statements.

DELILAYI HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

1. Reporting entity

Delilayi Holdings Limited (the "Company") is domiciled in Cyprus. The Company was incorporated in Cyprus on 12 February 2007 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 1 Theseos Avenue, 2411 Egkomi, Nicosia, Cyprus.

The principal activities of the Company are to carry out all or any business for the purpose of any type of finance, lending, holding of shares and to carry on the activities of an investment company.

2. Basis of accounting**2.1 Statement of compliance**

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

These financial statements are the separate financial statements. The Company has not prepared consolidated financial statements as the exemption from consolidation in paragraph 4(a) of IFRS10 'Consolidated Financial Statements', has been used. The Company's ultimate current parent Company Neocity Group for Investments and Holdings Limited, a company incorporated in Israel produced consolidated financial statements available for public use that comply with International Financial Reporting Standards as issued by the IASB. These consolidated financial statements can be obtained 1 Korazin St. Moldavsky House, Givataim 53583 Israel.

2.2 Basis of measurement

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

2.3 Going concern basis

Even though the Company has made a profit of €1.773.603 during the year ended 31 December 2019 as of that date the Company's current liabilities exceeded its current assets by €23.896.993 and its total liabilities exceeded its total assets by €9.929.442.

The Company's financial statements have been prepared on a going concern basis given the financial support commitment issued by the parent company confirming that its able and it undertakes to provide to the Company such financial and other support as may be required to enable it to continue in operational existence and, therefore to enable it to realize its assets and discharge its liabilities in the normal course of business for a period of at least 12 months from the date of the financial statements.

In addition, the parent company confirmed that in case the Company's investment as presented in note 11 and the Company's loan receivables as presented in note 12, are impaired by what ever amount, its willing and able to refund the Company with any corresponding shortfall in this respect.

3. Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. Adoption of new and revised IFRSs and interpretations by the European Union (EU)

During the current year the Company adopted all the changes to International Financial Reporting Standards (IFRSs) applicable to its operations and are effective for accounting periods beginning on 1 January 2019. The adoption of these standards has had no material effect on the accounting policies of the Company.

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

5. Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively - that is, in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

6. Significant accounting policies

The following accounting policies have been applied consistently for all the years presented in these financial statements.

6.1 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists where the Group 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 subsidiaries are stated at cost, which includes transaction costs, less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

6.2 Finance income and finance costs

The Company's finance income and finance costs include:

- interest income;
- interest expense;

DELILAYI HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.3 Finance income**

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

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

6.4 Finance costs

Interest expense and other borrowing costs are recognised in profit or loss using the effective interest method. The effective interest rate is applied to the amortised cost of the liability.

6.5 Foreign currency translation**(i) Functional currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss and presented within finance costs.

DELILAYI HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.5 Foreign currency translation (continued)**

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and
- qualifying cash flow hedges to the extent that the hedges are effective.

6.6 Tax

Tax liabilities and assets for the current and prior periods 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. Current tax includes any adjustments to tax payable in respect of previous periods.

6.7 Dividends

Dividends distributions to the Company's shareholders are recognised in the Company's financial statements in the year in which they are approved.

6.8 Financial instruments***6.8.1 Recognition and initial measurement***

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

6.8.2 Classification and subsequent measurement***6.8.2.1 Financial assets***

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive income (FVOCI) debt investment; Fair Value through Other Comprehensive income (FVOCI) equity investment; or FVTPL.

DELILAYI HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.8 Financial instruments (continued)**

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances at bank.

Financial assets - Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets - Subsequent measurement and gains and losses:

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
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6.8.2.2 Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The financial liabilities of the Company are measured as follows:

(i) Borrowings

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

(ii) Trade and other payables

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

6.9 Derecognition of financial assets and liabilities

DELILAYI HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.9 Derecognition of financial assets and liabilities (continued)****Financial assets**

The Company derecognises a financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) when:

- the contractual rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company transfers the rights to receive the contractual cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when it is replaced by another from the same lender on substantially different terms, or when the terms of the liability are substantially modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

6.10 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Company has a currently enforceable legal right to offset the recognised amounts and it intends to settle them 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.

6.11 Share capital

Ordinary shares are classified as equity.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Significant accounting policies (continued)

6.12 Comparatives

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

7. Other operating income

	2019	2018
	€	€
Profit from sale of investments in subsidiaries	<u>2.573.702</u>	<u>-</u>
Other operating income relates to profit from the disposal of subsidiary in Neovita Nova Sp z.o.o		

8. Administrative expenses

	2019	2018
	€	€
Staff costs	2.525	-
Rent	1.800	-
Registrar annual fee	350	350
Independent auditors' remuneration - current year	2.450	2.916
Independent auditors' remuneration - prior years	(466)	-
Other professional fees	2.404	2.940
Travelling	2.012	-
Professional and legal expenses - prior year	<u>489</u>	<u>-</u>
	<u>11.564</u>	<u>6.206</u>

9. Expenses by nature

		2019	2018
	Note	€	€
Staff costs		2.525	-
Independent auditors' remuneration - current year		2.450	2.916
Independent auditors' remuneration - prior years		(466)	-
Other expenses		<u>7.055</u>	<u>3.290</u>
Total expenses and cost of sales		<u>11.564</u>	<u>6.206</u>

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2019**10. Net finance income and costs**

	2019 €	2018 €
Interest income	<u>352.385</u>	<u>314.486</u>
Finance income - total	<u>352.385</u>	<u>314.486</u>
Net foreign exchange transaction losses	(9)	(23)
Interest expense	(1.139.745)	(1.103.638)
Bank charges	<u>(1.166)</u>	<u>(862)</u>
Finance costs - total	<u>(1.140.920)</u>	<u>(1.104.523)</u>
Net finance expenses	<u><u>(788.535)</u></u>	<u><u>(790.037)</u></u>

11. Taxation

Reconciliation of tax based on the taxable income and tax based on accounting profits:

	2019 €	2018 €
Accounting profit/(loss) before tax	<u>1.773.603</u>	<u>(796.243)</u>
Tax calculated at the applicable tax rates	221.700	(99.530)
Tax effect of expenses not deductible for tax purposes	38.474	37.109
Tax effect of allowances and income not subject to tax	(321.713)	(1)
Tax effect of loss for the year	<u>61.539</u>	<u>62.422</u>
Tax as per statement of profit or loss and other comprehensive income - charge	<u><u>-</u></u>	<u><u>-</u></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%.

Due to tax losses sustained in the year, no tax liability arises on the Company. Tax losses may be carried forward for five years. Group companies may deduct losses against profits arising during the same tax year.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

12. Investments in subsidiaries

	2019 €	2018 €
Balance at 1 January	7.146.877	7.144.553
Additions	1.155	2.324
Disposals	(1.162)	-
Balance at 31 December	<u>7.146.870</u>	<u>7.146.877</u>

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	2019 Holding %	2018 Holding %	2019 €	2018 €
Neostar Sp.z o.o.	Poland	Real estate	100	100	6.327.667	6.327.667
Neocity Project 2 Sp.z o.o.	Poland	Real estate	100	100	1	1
Neovillage Sp.z o.o.	Poland	Real estate	100	100	737.204	737.204
Neovita Sp.z o.o.	Poland	Real estate	100	100	78.427	78.427
Neoclassic Sp.z o.o.	Poland	Real estate	99	99	1.254	1.254
Neotown Sp. z.o.o.	Poland	Real estate	99	99	2.317	1.162
Neovita Nova Sp. z.o.o.	Poland	Real estate		99	-	1.162
					<u>7.146.870</u>	<u>7.146.877</u>

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.

During 2018 the Company incorporated Neotown Sp. z.o.o and Neovita Nova Sp. z.o.o. at a cost of EUR1.162 (PLN 5.000 each).

During 2019 the Company increase its investment in Neotown Sp. z.o.o to EUR 2.317.

DELILAYI HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2019**12. Investments in subsidiaries (continued)**

During 2019 the Company sold its investment in Neovita Nova Sp z.o.o, for a total consideration of 11.000.000 PLN (Note 7).

13. Loans receivable

	2019 €	2018 €
Balance at 1 January	6.166.948	5.321.462
New loans granted	5.659.964	2.730.217
Repayments	(3.142.739)	(2.199.217)
Interest charged	<u>352.385</u>	<u>314.486</u>
Balance at 31 December	<u>9.036.558</u>	<u>6.166.948</u>
	2019 €	2018 €
Loans to own subsidiaries (Note 19 (iv))	<u>9.036.558</u>	<u>6.166.948</u>
	<u>9.036.558</u>	<u>6.166.948</u>
Non-current portion	6.820.681	2.102.014
Current portion	<u>2.215.877</u>	<u>4.064.934</u>
	<u>9.036.558</u>	<u>6.166.948</u>

The exposure of the Company to credit risk is reported in note 20 to the financial statements.

14. Trade and other receivables

	2019 €	2018 €
Receivables from related companies (Note 19 (iii))	<u>782</u>	<u>782</u>
	<u>782</u>	<u>782</u>

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 20 to the financial statements.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

15. Cash at bank

	2019 €	2018 €
Cash at bank	<u>8.878</u>	<u>10.085</u>

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

	2019 €	2018 €
Cash at bank	<u>8.878</u>	<u>10.085</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 20 to the financial statements.

16. Share capital

	2019 Number of shares	2019 €	2018 Number of shares	2018 €
Authorised, issued and fully paid				
Ordinary shares of €1,71 each	<u>1.000</u>	<u>1.710</u>	<u>1.000</u>	<u>1.710</u>
Issued and fully paid				
Balance at 1 January	<u>1.000</u>	<u>1.710</u>	<u>1.000</u>	<u>1.710</u>
Balance at 31 December	<u>1.000</u>	<u>1.710</u>	<u>1.000</u>	<u>1.710</u>

17. Loans and borrowings

	2019 €	2018 €
Current liabilities		
Loans from related companies (Note 19 (vii))	7.887.726	7.469.461
Loan from parent company (Note 19)	<u>18.157.818</u>	<u>17.495.885</u>
	<u>26.045.544</u>	<u>24.965.346</u>

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2019**18. Trade and other payables**

	2019 €	2018 €
VAT	292	292
Payables to parent (Note 19 (v))	71.278	59.181
Accruals	<u>5.416</u>	<u>2.918</u>
	<u><u>76.986</u></u>	<u><u>62.391</u></u>

19. Related party transactions

The Company is controlled by Neocity Projects Ltd, incorporated in Israel, which owns 99,9% of the Company's shares.

The transactions and balances with related parties are as follows:

(i) Interest income

	2019 €	2018 €
Neotowns Sp.z o.o.	203.058	20.116
Neovillage Sp.z o.o.	26.204	145.984
Neogarden Sp.z o.o.	116.508	142.393
Neoclassic Sp.z o.o.	<u>6.615</u>	<u>5.993</u>
	<u><u>352.385</u></u>	<u><u>314.486</u></u>

(ii) Interest expense

	2019 €	2018 €
Neocity Projects Limited	663.859	632.569
Neostar Sp.z o.o.	<u>475.886</u>	<u>471.069</u>
	<u><u>1.139.745</u></u>	<u><u>1.103.638</u></u>

(iii) Receivables from related company (Note 14)

	2019 €	2018 €
Mooncatcher Trading Limited	<u>782</u>	<u>782</u>

The amount relates to expenses paid on behalf of Mooncatcher Trading Limited. The receivable is interest free and has no specific repayment date.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. Related party transactions (continued)**(iv) Loans to own subsidiaries (Note 13)**

	2019 €	2018 €
Neocity Project 2 Sp.z o.o.	280.876	280.876
Neovillage Sp.z o.o.	594.638	1.193.949
Neogarden Sp.z o.o.	1.230.105	2.486.466
Neoclassic Sp.z o.o.	110.258	103.643
Neotowns Sp.z o.o.	<u>6.820.681</u>	<u>2.102.014</u>
	<u>9.036.558</u>	<u>6.166.948</u>

The loans to own subsidiaries bear interest of 7,35% p.a.

(v) Payables to parent company (Note 18)

	2019 €	2018 €
Neocity Projects Limited	<u>71.278</u>	<u>59.181</u>

The amount relates to expenses paid by the parent company on behalf of the Company and it bears interest of 7% p.a.

(vi) Loan from related company (Note 18)

	2019 €	2018 €
Neostar Sp.z o.o.	<u>7.887.726</u>	<u>7.469.461</u>

The loan bears interest of 7% p.a. and is repayable on demand.

(vii) Loan from parent company (Note 17)

	2019 €	2018 €
Neocity Projects Limited	<u>18.157.818</u>	<u>17.495.885</u>

The loans from parent company bear interest of 7% p.a. and are repayable on demand.

DELILAYI HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2019

20. Financial instruments - fair values and risk management**Financial risk factors**

The Company is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

A. Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk (see note A(i));
- liquidity risk (see note A(ii)); and

(i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has significant concentration of credit risk in relation to loans receivable.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2019 €	2018 €
Loans receivables from related parties	9.036.558	6.166.948
Cash at bank	8.878	10.085
Receivables from related companies	<u>782</u>	<u>782</u>
	<u>9.046.218</u>	<u>6.177.815</u>

(ii) 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.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. Financial instruments - fair values and risk management (continued)

(ii) *Liquidity risk* (continued)

The following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

31 December 2019	Carrying amounts €	Contractual cash flows €	3 months or less €	Between 3-12 months €
Non-derivative financial liabilities				
Payables to related parties	71.278	71.278	-	71.278
Loans from related companies	7.887.726	7.887.726	-	7.887.726
Loan from parent company	<u>18.157.818</u>	<u>18.157.818</u>	-	<u>18.157.818</u>
	<u>26.116.822</u>	<u>26.116.822</u>	-	<u>26.116.822</u>
31 December 2018	Carrying amounts €	Contractual cash flows €	3 months or less €	Between 3-12 months €
Non-derivative financial liabilities				
Payables to related parties	59.181	56.857	-	56.857
Loans from related companies	7.469.461	7.469.461	-	7.469.461
Loan from parent company	<u>17.495.885</u>	<u>17.495.885</u>	-	<u>17.495.885</u>
	<u>25.024.527</u>	<u>25.022.203</u>	-	<u>25.022.203</u>

(iii) *Market risk**Currency risk*

The Company is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currency of the Company which is euro and the Polish Sloty .

21. Events after the reporting period

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. Most governments around the world took increasingly stringent steps to stem the spread of the virus, including: requiring self-isolation/quarantine, social distancing and controlling or closing borders and “locking-down” cities/regions or even entire countries. These measures are gradually being lifted in many jurisdictions including Cyprus but the uncertainties over the broader economies remain as the pandemic still evolves. The operations of the Company have not been specifically affected.

DELILAYI HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2019****21. Events after the reporting period (continued)**

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.