

DELILAYI HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2021

DELILAYI HOLDINGS LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2021

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DELILAYI HOLDINGS LIMITEDOFFICERS AND PROFESSIONAL ADVISORS

| | |
|----------------------|---|
| Board of Directors | Clintone Secretarial Services Limited Constantinos Tsangarides Nimrod Ben Ami |
| Secretary | Clintone Secretarial Services Limited |
| Independent Auditors | KPMG Limited |
| Banker | Bank of Cyprus Public Company Ltd |
| Registered Office | 1 Thiseos Avenue 2411 Egkomi Nicosia Cyprus |
| Registration number | HE192075 |



KPMG Limited
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 32 and comprise the statement of financial position as at 31 December 2021, 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 2021, 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 the Company incurred a net loss of €593.546 during the year ended 31 December 2021 as of that date the Company's current liabilities exceeded its current assets by €30.044.669 and its total liabilities exceeded its total assets by €11.683.440. As stated in note 2.3, these events or conditions, along with other matters as set forth in note 2.3, 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 Antoniadou, 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

24 November 2022

DELILAYI HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

| | Note | 2021 € | 2020 € |
|---------------------------------------|------|---------------------|---------------------|
| Assets | | | |
| Non-current assets | | | |
| Investments in subsidiaries | 14 | 6,411,821 | 6,409,665 |
| Loans receivable | 15 | 13,451,479 | 9,460,216 |
| Total non-current assets | | <u>19,863,300</u> | <u>15,869,881</u> |
| Current assets | | | |
| Trade and other receivables | 16 | 782 | 782 |
| Loans receivable | 15 | 363,150 | 629,593 |
| Cash at bank | 17 | 991 | 3,171 |
| Total current assets | | <u>364,923</u> | <u>633,546</u> |
| Total assets | | <u>20,228,223</u> | <u>16,503,427</u> |
| Equity | | | |
| Share capital | 18 | 1,710 | 1,710 |
| Reserves | | (11,685,150) | (11,091,604) |
| Total equity | | <u>(11,683,440)</u> | <u>(11,089,894)</u> |
| Liabilities | | | |
| Loans and borrowings | 19 | 1,502,071 | - |
| Current liabilities | | | |
| Short term portion of long-term loans | 19 | 30,288,366 | 27,496,172 |
| Trade and other payables | 20 | 121,144 | 97,108 |
| Tax liability | 21 | 82 | 41 |
| Total current liabilities | | <u>30,409,592</u> | <u>27,593,321</u> |
| Total liabilities | | <u>31,911,663</u> | <u>27,593,321</u> |
| Total equity and liabilities | | <u>20,228,223</u> | <u>16,503,427</u> |

On 24 November 2022 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 32 are an integral part of these financial statements.

DELILAYI HOLDINGS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

| | Note | 2021 € | 2020 € |
|---|------|--------------------|--------------------|
| Other operating income | 7 | - | 146.014 |
| Administrative expenses | 8 | (16.106) | (18.862) |
| Other operating expenses | 9 | - | (737.205) |
| Operating loss | | <u>(16.106)</u> | <u>(610.053)</u> |
| Finance income - total | | 706.061 | 641.763 |
| Finance costs - total | | <u>(1.283.460)</u> | <u>(1.192.121)</u> |
| Net finance expenses | 12 | <u>(577.399)</u> | <u>(550.358)</u> |
| Loss before tax | | (593.505) | (1.160.411) |
| Tax | 13 | (41) | (41) |
| Loss for the year | | <u>(593.546)</u> | <u>(1.160.452)</u> |
| Other comprehensive income | | - | - |
| Total comprehensive expense for the year | | <u>(593.546)</u> | <u>(1.160.452)</u> |

The notes on pages 10 to 32 are an integral part of these financial statements.

DELILAYI HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITYFor the year ended 31 December 2021

| | Share capital € | Retained earnings € | Total € |
|-----------------------------|--------------------|---------------------------|---------------------|
| Balance at 1 January 2020 | 1.710 | (9.931.150) | (9.929.440) |
| Comprehensive income | | | |
| Loss for the year | <u>-</u> | <u>(1.160.452)</u> | <u>(1.160.452)</u> |
| Balance at 31 December 2020 | <u>1.710</u> | <u>(11.091.602)</u> | <u>(11.089.892)</u> |
| | | | |
| Balance at 1 January 2021 | 1.710 | (11.091.604) | (11.089.894) |
| Comprehensive income | | | |
| Loss for the year | <u>-</u> | <u>(593.546)</u> | <u>(593.546)</u> |
| Balance at 31 December 2021 | <u>1.710</u> | <u>(11.685.150)</u> | <u>(11.683.440)</u> |

The notes on pages 10 to 32 are an integral part of these financial statements.

DELILAYI HOLDINGS LIMITED

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

| | Note | 2021 € | 2020 € |
|---|------|--------------------|------------------|
| Cash flows from operating activities | | | |
| Loss for the year | | (593.546) | (1.160.452) |
| Adjustments for: | | | |
| Waiver of loan liability | | - | (145.723) |
| Impairment charge - investments in subsidiaries | 14 | - | 737.205 |
| Interest income | 12 | (706.061) | (641.763) |
| Interest expense | 12 | 1.217.262 | 1.190.209 |
| Income tax expense | 13 | 41 | 41 |
| Cash used in operations before working capital changes | | <u>(82.304)</u> | <u>(20.483)</u> |
| Increase in trade and other payables | | 16.205 | 14.776 |
| Cash used in operations | | <u>(66.099)</u> | <u>(5.707)</u> |
| Cash flows from investing activities | | | |
| Payment for acquisition of investments in subsidiaries | 14 | (1.079) | - |
| Loans granted | | (3.297.313) | (741.488) |
| Loans repayments received | | 278.554 | 330.000 |
| Net cash used in investing activities | | <u>(3.019.838)</u> | <u>(411.488)</u> |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (90.098) | (330.000) |
| Proceeds from borrowings | | 3.173.855 | 741.488 |
| Net cash generated from financing activities | | <u>3.083.757</u> | <u>411.488</u> |
| Net decrease in cash and cash equivalents | | (2.180) | (5.707) |
| Cash and cash equivalents at beginning of the year | | <u>3.171</u> | <u>8.878</u> |
| Cash and cash equivalents at end of the year | 17 | <u>991</u> | <u>3.171</u> |

The notes on pages 10 to 32 are an integral part of these financial statements.

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

For the year ended 31 December 2021

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 that comply with International Financial Reporting Standards as issued by the IASB.

2.2 Basis of measurement

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

2.3 Going concern basis

The Company incurred a loss of €593.546 during the year ended 31 December 2021 as of that date the Company's current liabilities exceeded its current assets by €30.044.669 and its total liabilities exceeded its total assets by €11.683.440. These events or conditions, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Notwithstanding the level of net liabilities as at the reporting date, the Company's financial statements have been prepared on a going concern basis given the financial support commitment issued by the ultimate 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 14 and the Company's loan receivables as presented in note 15, are impaired by what ever amount, its willing and able to refund the Company with any corresponding shortfall in this respect.

Should the ultimate parent company fails to provide continued financial support to the Company, the going concern basis of preparation will no longer be appropriate.

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

For the year ended 31 December 2021

3. Functional and presentation currency

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

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 (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2021. This adoption did not have a material effect on the accounting policies of the Company.

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:

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

For the year ended 31 December 2021

6. Significant accounting policies (continued)**6.2 Finance income and finance costs (continued)**

- interest income;
- interest expense;

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 2021

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 or FVTPL.

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.

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

For the year ended 31 December 2021

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

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.

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;
- 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.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. Significant accounting policies (continued)

6.8 Financial instruments (continued)

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. |
|------------------------------------|--|

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.

DELILAYI HOLDINGS LIMITEDNOTES TO THE FINANCIAL STATEMENTSFor the year ended 31 December 2021**6. Significant accounting policies (continued)****6.8 Financial instruments (continued)****6.8.3 Impairment****• *Financial instruments and contract assets***

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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

For the year ended 31 December 2021

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

- *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

- *Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6.9 Derecognition of financial assets and liabilities**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

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

For the year ended 31 December 2021

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

6.12 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions are transfers of resources or obligations between related parties, regardless of whether a price is charged.

6.13 Events after the reporting period

Assets and liabilities are adjusted for events that occurred during the period from the reporting date to the date of approval of the financial statements by the Board of Directors, when these events provide additional information for the valuation of amounts relating to events existing at the reporting date or imply that the going concern concept in relation to part or the whole of the Company is not appropriate.

6.14 Comparatives

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

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. Other operating income

| | 2021 € | 2020 € |
|--|-----------|----------------|
| Waiver of loan due to related party (Note 23 (vi)) | - | 145.723 |
| Sundry operating income | <u>-</u> | <u>291</u> |
| | <u>-</u> | <u>146.014</u> |

8. Administrative expenses

| | 2021 € | 2020 € |
|------------------------------------|---------------|---------------|
| Staff costs | 7.740 | 7.677 |
| Rent | 1.800 | 1.800 |
| Registrar annual fee | 350 | 350 |
| Sundry expenses | - | 130 |
| Telephone and postage | 417 | 433 |
| Independent auditors' remuneration | 3.032 | 3.322 |
| Other professional fees | <u>2.767</u> | <u>5.150</u> |
| | <u>16.106</u> | <u>18.862</u> |

9. Other operating expenses

| | 2021 € | 2020 € |
|---|-----------|----------------|
| Impairment charge - investments in subsidiaries | <u>-</u> | <u>737.205</u> |

10. Expenses by nature

| | Note | 2021 € | 2020 € |
|------------------------------------|------|---------------|----------------|
| Staff costs | 11 | 7.740 | 7.677 |
| Independent auditors' remuneration | | 3.032 | 3.322 |
| Other expenses | | - | 745.068 |
| Other expenses | | <u>5.334</u> | <u>-</u> |
| Total expenses and cost of sales | | <u>16.106</u> | <u>756.067</u> |

DELILAYI HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2021****11. Staff costs**

| | Note | 2021 € | 2020 € |
|--------------------------------|------|--------------|--------------|
| Wages | | 6.737 | 6.702 |
| Social insurance contributions | | <u>1.003</u> | <u>975</u> |
| Total staff costs | 10 | <u>7.740</u> | <u>7.677</u> |

The average number of employees employed by the Company during the year 2021 and 2020 were 1 and 1 respectively.

12. Net finance income and costs

| | 2021 € | 2020 € |
|-----------------------------|-------------------------|-------------------------|
| Interest income | <u>706.061</u> | <u>641.763</u> |
| Finance income - total | <u>706.061</u> | <u>641.763</u> |
| Interest expense | (1.217.262) | (1.190.209) |
| Sundry finance expenses | <u>(66.198)</u> | <u>(1.912)</u> |
| Finance costs - total | <u>(1.283.460)</u> | <u>(1.192.121)</u> |
| Net finance expenses | <u>(577.399)</u> | <u>(550.358)</u> |

13. Taxation

| | 2021 € | 2020 € |
|---|-----------|-----------|
| Special contribution to the defence fund year | <u>41</u> | <u>41</u> |
| Charge for the year | <u>41</u> | <u>41</u> |

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

13. Taxation (continued)Reconciliation of tax based on the taxable income and tax based on accounting losses:

| | 2021 € | 2020 € |
|--|------------------|--------------------|
| Accounting loss before tax | <u>(593.505)</u> | <u>(1.160.411)</u> |
| Tax calculated at the applicable tax rates | (74.188) | (145.051) |
| Tax effect of expenses not deductible for tax purposes | 16.051 | 130.623 |
| Tax effect of loss for the year | 58.137 | 14.428 |
| Special contribution to the defence fund | <u>41</u> | <u>41</u> |
| Tax as per statement of profit or loss and other comprehensive income - charge | <u>41</u> | <u>41</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 2021

14. Investments in subsidiaries

| | 2021 € | 2020 € |
|------------------------|------------------|------------------|
| Balance at 1 January | 6.409.665 | 7.146.870 |
| Additions | 2.156 | - |
| Impairment charge | - | (737.205) |
| Balance at 31 December | <u>6.411.821</u> | <u>6.409.665</u> |

The details of the subsidiaries are as follows:

| <u>Name</u> | <u>Country of incorporation</u> | <u>Principal activities</u> | 2021 Holding % | 2020 Holding % | 2021 € | 2020 € |
|-----------------------------------|-------------------------------------|---------------------------------|----------------------|----------------------|------------------|------------------|
| 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 | - | - |
| Neovillage Sp.z o.o. | Poland | Real estate | 100 | 100 | - | - |
| 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 | 2.317 |
| Neonove Sp.z o.o. | Poland | Real estate | 100 | 0 | 1.078 | - |
| Neovita II Sp.z.o.o | Poland | Real estate | 100 | 0 | 1.078 | - |
| | | | | | <u>6.411.821</u> | <u>6.409.665</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. No impairment was posted for the year ended 31 December 2021.

During 2021, the Company incorporated Neonove Sp.z o.o. and Neovita II Sp.z.o.o. at a cost of €1.078 (PLN 5.000) each.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. Loans receivable

| | 2021 € | 2020 € |
|--|-------------------|-------------------|
| Balance at 1 January | 10.089.809 | 9.036.558 |
| New loans granted | 3.297.313 | 741.488 |
| Repayments | (278.554) | (330.000) |
| Interest charged | <u>706.061</u> | <u>641.763</u> |
| Balance at 31 December | <u>13.814.629</u> | <u>10.089.809</u> |
| | 2021 € | 2020 € |
| Loans to own subsidiaries (Note 23 (iv)) | <u>13.814.629</u> | <u>10.089.809</u> |
| | <u>13.814.629</u> | <u>10.089.809</u> |
| Non-current portion | 13.451.479 | 9.460.216 |
| Current portion | <u>363.150</u> | <u>629.593</u> |
| | <u>13.814.629</u> | <u>10.089.809</u> |

The loans are repayable as follows:

| | 2021 € | 2020 € |
|----------------------------|-------------------|-------------------|
| Within one year | 363.150 | 629.593 |
| Between one and five years | <u>13.451.479</u> | <u>9.460.216</u> |
| | <u>13.814.629</u> | <u>10.089.809</u> |

The exposure of the Company to credit risk is reported in note 24 to the financial statements.

16. Trade and other receivables

| | 2021 € | 2020 € |
|--|------------|------------|
| Receivables from related companies (Note 23 (iii)) | <u>782</u> | <u>782</u> |
| | <u>782</u> | <u>782</u> |

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

16. Trade and other receivables (continued)

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 24 to the financial statements.

17. Cash at bank

Cash balances are analysed as follows:

| | 2021 € | 2020 € |
|--------------|------------|--------------|
| Cash at bank | <u>991</u> | <u>3.171</u> |

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 24 to the financial statements.

18. Share capital

| | 2021 Number of shares | 2021 € | 2020 Number of shares | 2020 € |
|-------------------------------|-----------------------------|--------------|-----------------------------|--------------|
| Authorised | | | | |
| 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> |

19. Loans and borrowings

| | 2021 € | 2020 € |
|--|-------------------|-------------------|
| Non-current liabilities | | |
| Loans from related companies (Note 23 (vii)) | <u>1.502.071</u> | <u>-</u> |
| Current liabilities | | |
| Loans from related companies (Note 23 (vii)) | 9.453.227 | 9.024.867 |
| Loan from parent company (Note 23 (vii)) | <u>20.835.139</u> | <u>18.471.305</u> |
| | <u>30.288.366</u> | <u>27.496.172</u> |
| Total | <u>31.790.437</u> | <u>27.496.172</u> |

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. Loans and borrowings (continued)

Maturity of borrowings:

| | 2021 | 2020 |
|----------------------------|--------------------------|--------------------------|
| | € | € |
| Within one year | 30.288.366 | 27.496.172 |
| Between one and five years | <u>1.502.071</u> | <u>-</u> |
| | <u><u>31.790.437</u></u> | <u><u>27.496.172</u></u> |

The exposure of the Company to interest rate risk in relation to financial instruments is reported in note 24 to the financial statements.

20. Trade and other payables

| | 2021 | 2020 |
|----------------------------------|-----------------------|----------------------|
| | € | € |
| Payables to parent (Note 23 (v)) | 114.458 | 89.641 |
| Accruals | <u>6.686</u> | <u>7.467</u> |
| | <u><u>121.144</u></u> | <u><u>97.108</u></u> |

The exposure of the Company to liquidity risk in relation to financial instruments is reported in note 24 to the financial statements.

21. Tax liability

| | 2021 | 2020 |
|--|------------------|------------------|
| | € | € |
| Special contribution to the defence fund | <u><u>82</u></u> | <u><u>41</u></u> |

22. Operating environment of the Company

With the recent and rapid development of the Coronavirus disease (COVID-19) pandemic the world economy entered a period of unprecedented health care crisis that has 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 have implemented restrictions on travelling as well as strict quarantine measures throughout the year.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

22. Operating environment of the Company (continued)

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. The event did not have an immediate material impact on the business operations.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment.

Management will continue to monitor the situation closely and will assess the need for in case the period of disruption becomes prolonged.

23. Related party transactions

The Company is controlled by Neocity Projects Ltd, incorporated in Israel, which owns 99,9% of the Company's shares. The ultimate beneficial owner is Ehud Benshach through his holding in Neocity Group for Investments and Holdings Ltd.

The transactions and balances with related parties are as follows:

(i) Interest income

| | 2021 | 2020 |
|----------------------|----------------|----------------|
| | € | € |
| Neotowns Sp.z o.o. | 659.743 | 619.282 |
| Neovillage Sp.z o.o. | 62 | - |
| Neogarden Sp.z o.o. | - | 15.847 |
| Neoclassic Sp.z o.o. | 6.615 | 6.634 |
| Neonove Sp.z o.o. | <u>39.641</u> | <u>-</u> |
| | <u>706.061</u> | <u>641.763</u> |

(ii) Interest expense

| | 2021 | 2020 |
|--|------------------|------------------|
| | € | € |
| Neocity Projects Limited - loan | 639.004 | 643.487 |
| Neostar Sp.z o.o. | 518.458 | 529.663 |
| Neovillage Sp.z o.o. | 11.217 | 11.712 |
| Neocity Projects Limited - current account | 6.754 | 5.347 |
| Neogarden Sp.z.o.o. | 12.807 | - |
| Avner | 13.675 | - |
| Sunny | <u>15.347</u> | <u>-</u> |
| | <u>1.217.262</u> | <u>1.190.209</u> |

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

23. Related party transactions (continued)**(iii) Receivables from related company (Note 16)**

| | 2021 € | 2020 € |
|-----------------------------|------------|------------|
| 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.

(iv) Loans to own subsidiaries (Note 15)

| | 2021 € | 2020 € |
|-----------------------------|-------------------|-------------------|
| Neocity Project 2 Sp.z o.o. | 239.643 | 234.147 |
| Neogarden Sp.z o.o. | - | 278.554 |
| Neoclassic Sp.z o.o. | 123.507 | 116.892 |
| Neotowns Sp.z o.o. | 11.519.133 | 9.460.216 |
| Neonove Sp.z o.o. | <u>1.932.346</u> | <u>-</u> |
| | <u>13.814.629</u> | <u>10.089.809</u> |

The loans to Neocity Project 2 Sp.z.o.o. bear interest of 7,35% p.a and is repayable on demand.

The loan to Neogarden Sp.z.o.o. was fully repaid during 2021.

The loans to Neoclassic Sp.z.o.o. bear interest of 7,35% p.a and is repayable on demand.

The loans to Neotowns Sp.z.o.o. bear interest of 7,35% p.a and is repayable on 31 December 2025.

The loan to Neonove Sp.z o.o. bears interest of 7,35% p.a and is repayable on 31 December 2026.

(v) Payables to parent company (Note 20)

| | 2021 € | 2020 € |
|--------------------------|----------------|---------------|
| Neocity Projects Limited | <u>114.458</u> | <u>89.641</u> |

The amount relates to expenses paid by the parent company on behalf of the Company and it bears interest 7% p.a. An amount of EUR 6.754 (2020: EUR 5.347) was recognised as interest charge for the year.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

23. Related party transactions (continued)

(vi) Loan from related company (Note 20)

| | 2021 € | 2020 € |
|----------------------|-------------------|------------------|
| Neostar Sp.z o.o. | 9.453.227 | 9.024.867 |
| Neovillage Sp. z o.o | 45.203 | - |
| Neogarden Sp.z.o.o. | 639.005 | - |
| Avner | 398.186 | - |
| Sunny | <u>419.677</u> | <u>-</u> |
| | <u>10.955.298</u> | <u>9.024.867</u> |

The loan bears interest of 7,35% p.a. and is repayable on demand.

The loan from Neogarden Sp.z.o.o bears interest of 7,35% and is repayable on demand.

The loan from Neovillage Sp.z.o.o bears interest of 7,35% p.a. and is repayable on 31 December 2015.

The loan from Neogarden Sp.z.o.o bears interest of 7,35% and is repayable on 31 December 2025.

The loan from Avner bears interest of 7% and is repayable on 31 December 2024.

The loan from Sunny bears interest of 7% and is repayable on 31 December 2024.

(vii) Loan from parent company (Note 19)

| | 2021 € | 2020 € |
|--------------------------|-------------------|-------------------|
| Neocity Projects Limited | <u>20.835.139</u> | <u>18.471.305</u> |

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

24. 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

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

24. Financial instruments - fair values and risk management (continued)**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:

| | 2021 € | 2020 € |
|--|-------------------|-------------------|
| Loans receivables from related parties | 13.814.629 | 10.089.809 |
| Cash at bank | 991 | 3.171 |
| Receivables from related companies | <u>782</u> | <u>782</u> |
| | <u>13.816.402</u> | <u>10.093.762</u> |

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

| | | |
|---|----------|------------------|
| Impairment charge - investments in subsidiaries | <u>-</u> | <u>(737.205)</u> |
| | <u>-</u> | <u>(737.205)</u> |

Cash and cash equivalents

The table below shows an analysis of the Company's bank deposit by the credit rating of the bank in which they are held:

| | | 2021 € | 2020 € |
|--|--------------------|------------|--------------|
| <u>Bank group based on credit ratings by Moody's</u> | <u>No of banks</u> | | |
| B1 | <u>1</u> | <u>991</u> | <u>3.171</u> |
| | <u>1</u> | <u>991</u> | <u>3.171</u> |

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of impairment allowance at 31 December 2021 is € Nil.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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 2021 | Carrying amounts € | Contractual cash flows € | 3 months or less € | Between 3-12 months € | Between 1-5 years € |
|---|-----------------------|-----------------------------|-----------------------|--------------------------|------------------------|
| Non-derivative financial liabilities | | | | | |
| Payables to related parties | 114.458 | 114.458 | - | 114.458 | - |
| Loans from related companies | 10.955.298 | 11.101.020 | - | 9.453.227 | 1.647.793 |
| Loan from parent company | <u>20.835.139</u> | <u>20.835.139</u> | - | <u>20.835.139</u> | - |
| | <u>31.904.895</u> | <u>32.050.617</u> | - | <u>30.402.824</u> | <u>1.647.793</u> |
| 31 December 2020 | Carrying amounts € | Contractual cash flows € | 3 months or less € | Between 3-12 months € | Between 1-5 years € |
| Non-derivative financial liabilities | | | | | |
| Payables to related parties | 89.641 | 89.461 | - | 89.461 | - |
| Loans from related companies | 9.024.867 | 9.024.867 | - | 9.024.867 | - |
| Loan from parent company | <u>18.471.305</u> | <u>18.471.305</u> | - | <u>18.471.305</u> | - |
| | <u>27.585.813</u> | <u>27.585.633</u> | - | <u>27.585.633</u> | - |

(iii) Market risk**Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. 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. Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

DELILAYI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(iii) *Market risk* (continued)

Interest rate risk (continued)

At the reporting date the interest rate profile of interest-bearing financial instruments was:

| | 2021 | 2020 |
|-------------------------------|---------------------|---------------------|
| | € | € |
| <i>Fixed rate instruments</i> | | |
| Financial assets | 13.814.629 | 10.089.809 |
| Financial liabilities | <u>(31.790.437)</u> | <u>(27.496.172)</u> |
| | <u>(17.975.808)</u> | <u>(17.406.363)</u> |

25. Events after the reporting period

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The United Nations, European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Company largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. 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 conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

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

For the year ended 31 December 2021

25. Events after the reporting period (continued)

The Company has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries. Despite the limited direct exposure, the conflict is expected to negatively impact the tourism and services industries in Cyprus. Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Company. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

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. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely.

The event did not exist in the reporting period and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2021 as it is considered as a non-adjusting event.

On 24 November 2022 the Board of Directors of Delilayi Holdings Limited approved and authorised these financial statements for issue.