

**Noval Property Real Estate Investment Company – Greece**

**Permanent Establishment Bulgaria**

**Financial statements**

**For the year ended 31 December 2022**

*This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail.*

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## Statement of financial position


*In thousands of BGN*


	<i>Note</i>	31 December 2022	31 December 2021
<b>Assets</b>			
Investment property	10	12,250	11,837
<b>Non-current assets</b>		<b>12,250</b>	<b>11,837</b>
Trade and other receivables	12	859	531
Cash and cash equivalents	13	22	-
<b>Current assets</b>		<b>881</b>	<b>531</b>
<b>Total assets</b>		<b>13,131</b>	<b>12,368</b>
<b>Equity</b>			
Retained earnings		1,343	613
Other reserves		11,377	11,377
<b>Total equity</b>		<b>12,720</b>	<b>11,990</b>
<b>Liabilities</b>			
Deferred tax liabilities	11	127	69
Trade and other payables	14	220	236
<b>Non-current liabilities</b>		<b>347</b>	<b>305</b>
Trade and other payables	14	64	73
<b>Current liabilities</b>		<b>64</b>	<b>73</b>
<b>Total liabilities</b>		<b>411</b>	<b>378</b>
<b>Total equity and liabilities</b>		<b>13,131</b>	<b>12,368</b>

*The notes on pages 7 to 23 are an integral part of these financial statements.*

*The financial statements are approved on ... 30.1.31.2023 and signed by:*

  
\_\_\_\_\_  
Approved by:  
Managing Director  
Panagiotis Kapetanakos

  
\_\_\_\_\_  
Prepared by:  
KPMG Bulgaria OOD  
Bianka Atanasova, Director

  
\_\_\_\_\_  
Approved by:  
Managing Director  
Panteleimon Mavrakis

## Statement of profit or loss and other comprehensive income

For the year ended 31 December

<i>In thousands of BGN</i>	<i>Note</i>	<b>2022</b>	<b>01 April – 31 December 2021</b>
Revenue	6	1,125	748
Other income	7	549	477
Expenses for materials	8	(12)	(11)
Expenses for hired services	9	(795)	(473)
Other expenses		(79)	(59)
<b>Result from operating activities</b>		<b>788</b>	<b>682</b>
<b>Profit before income tax</b>		<b>788</b>	<b>682</b>
Tax expense	11	(58)	(69)
<b>Profit for the period</b>		<b>730</b>	<b>613</b>
<b>Total comprehensive income for the period</b>		<b>730</b>	<b>613</b>

The notes on pages 7 to 23 are an integral part of these financial statements.

The financial statements are approved on 30/3/2023 and signed by:



Approved by:  
Managing Director  
Panagiotis Kapetanakos



Prepared by:  
KPMG Bulgaria OOD  
Bianka Atanasova, Director



Approved by:  
Managing Director  
Panteleimon Mavrakis


## Statement of changes in equity


*In thousands of BGN*


	Other reserves	Retained earnings	Total equity
<b>Balance as at 01 April 2021</b>	-	-	-
<i>Comprehensive income for the period</i>			
Profit for the period	-	613	613
<b>Total comprehensive income</b>	-	613	613
<b>Transactions with principal</b>			
Reserves related to internal transfer of investment property	11,377	-	11,377
<b>Total transactions with principal</b>	11,377	-	11,377
<b>Balance as at 31 December 2021</b>	11,377	613	11,990
<b>Balance as at 01 January 2022</b>	11,377	613	11,990
<i>Comprehensive income for the period</i>			
Profit for the period	-	730	730
<b>Total comprehensive income</b>	-	730	730
<b>Balance as at 31 December 2022</b>	11,377	1,343	12,720

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Managing Director  
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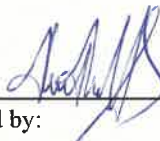
**Statement of cash flows**


<i>In thousands of BGN.</i>	<i>Note</i>	2022	01 April – 31 December 2021
<b>Cash flows from operating activities</b>			
Proceeds from customers		85	-
Payments to suppliers		(63)	-
<b>Net cash from operating activities</b>		<b>22</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase in cash and cash equivalents</b>		<b>22</b>	<b>-</b>
Cash and cash equivalents at beginning of the period		-	-
<b>Cash and cash equivalents at end of period</b>	<i>13</i>	<b>22</b>	<b>-</b>

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 \_\_\_\_\_  
 Approved by:  
 Managing Director  
 Panagiotis Kapetanakos

  
 \_\_\_\_\_  
 Prepared by:  
 KPMG Bulgaria OOD  
 Bianka Atanasova, Director

  
 \_\_\_\_\_  
 Approved by:  
 Managing Director  
 Panteleimon Mavrakis

## Notes to the financial statements

### 1. Reporting entity

Noval Property Real Estate Investment Company Permanent Establishment Bulgaria (“the Permanent Establishment” or “the PE”), is Permanent Establishment of Noval Property Real Estate Investment Company – Greece, a company incorporated and existing under the law of Greece (“Principal”). The Permanent Establishment is registered in the BULSTAT register in accordance with the Act for BULSTAT register, art. 3, paragraph 1, item 5a with UIC 177443529 on 1 April 2021. The registered address of the Permanent Establishment is Sofia 1407, 53A N.Y.Vaptsarov Blvd, Bulgaria.

The Permanent Establishment is represented by Panteleimon Mavrakis and Panagiotis Kapetanakos.

The main activity of the PE is rental of investment property in Bulgaria, located in Sofia 1407, 53A N.Y.Vaptsarov Blvd, Bulgaria.

The financial statements prepared for the year ended 31 December 2022 were authorized for issue by the Managing Directors on ~~30.1.2023~~ 30.1.2023.

### 2. Basis of accounting

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The PE was registered in 2021 and respectively the comparative information does not cover a complete calendar year.

Details of the PE's accounting policies are included in Note 21.

### 3. Functional and presentation currency

These financial statements are presented in BGN, which is the PE's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### 4. Going concern

These financial statements have been prepared on a going concern basis and under the assumption that the Permanent Establishment will be able to continue its operations in the foreseeable future.

The factors that affect the performance of the Permanent Establishment include flat or negative economic growth, buyer confidence as well as competitor pricing. The effects from economic, market and geopolitical disruption caused by the Ukraine-Russia war have heightened the inherent uncertainty in the Permanent Establishment's assessment of these factors, due to the exposure to energy price and inflation increases, fluctuations in commodity prices and foreign exchange rates, the rising interest rates as well as the possibility of a protracted economic downturn.

The management of the PE believes that the existing capital resources and funding sources will be adequate for the PE's liquidity needs in the following 2023.

### 5. Use of judgments and estimates

The preparation of the financial statements in conformity with IFRSs as adopted by the EU requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year relate to the following:

- Note 16 - Leases

## Notes to the financial statement

### 5. Use of judgments and estimates (continued)

#### Measurement of fair values

When measuring the fair value of an asset or liability, the PE uses market observable data as far as possible. Fair values are categorised into different level in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Permanent Establishment recognizes transfers between levels of the fair value hierarchy at end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 10 *Investment property*
- Note 15 *Financial instruments*

### 6. Revenue

#### A. Revenue streams

*In thousands of BGN*

	2022	01 April – 31 December 2021
Revenue from lease	1,112	748
Revenue from penalties	13	-
	<u>1,125</u>	<u>748</u>

The PE generates revenue from leasing out office premises in building located in Sofia 1407, area Lozenets, 53A N.Y.Vaptsarov Blvd, Bulgaria.

#### B. Contract balances

The following table provides the information for receivables, assets and liabilities from contracts with clients.

<i>In thousands of BGN</i>	<i>Note</i>	31 December 2022	31 December 2021
Received deposits, included in “Trade and other payables”	14	(220)	(236)
Receivables, included in “Trade and other receivables”	12	64	46
		<u>(156)</u>	<u>(190)</u>

#### C. Performance obligations and revenue recognition policies

The revenue is estimated based on the remuneration defined in the contract with the customer. Noval Property Real Estate Investment Company Permanent Establishment Bulgaria recognizes revenue when it transfers control over the service to the customers.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.



## Notes to the financial statement

### 6. Revenue (continued)

#### C. Performance obligations and revenue recognition policies (continued)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Office premises rental	Customers obtain control over the services rendered by the PE with the delivery of the leased property for temporary use. Invoices are issued on a monthly basis and are usually payable within 10 days.	Revenue is recognised over time as the services are provided.

### 7. Other income

*In thousands of BGN*

	2022	01 April – 31 December 2021
Change in fair value of investment property	413	460
Government grants	136	17
<b>Total other income</b>	<b>549</b>	<b>477</b>

### 8. Expenses for materials

*In thousands of BGN*

	2022	01 April – 31 December 2021
Consumables for maintenance	12	11
<b>Total expenses for materials</b>	<b>12</b>	<b>11</b>

### 9. Expenses for hired services

*In thousands of BGN*

	2022	01 April – 31 December 2021
Expenses for maintenance	106	79
Management of the investment property	65	53
Cleaning	107	66
Security	65	47
Legal services	27	5
Accounting services	34	22
Overhead expenses	388	158
Other hired services	3	43
<b>Total expenses for hired services</b>	<b>795</b>	<b>473</b>

## Notes to the financial statement

### 10. Investment property

#### (a) Reconciliation of carrying amount

In thousands of BGN

	31 December 2022	31 December 2021
<b>Balance as at 1 January</b>	<b>11,837</b>	-
Transfer of investment property from the Principal related to the PE registration	-	11,377
Change in fair value of investment property	413	460
<b>Balance as at 31 December</b>	<b>12,250</b>	<b>11,837</b>

#### (b) Measurement of fair value

##### (i) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualification and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the PE's investment property every six months.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used. (see Note 5).

##### (ii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in the measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	
<p><i>Discounted cash flows (DCF):</i> This method is based on discounting the net future cashflows generated by a property over the assumed holding period, and then a deemed disposal of the asset at the end of the ten-year period (the exit value)- in cases of freehold assets. The exit value is calculated by capitalizing the net income stream assumed receivable at the beginning of exit year at an exit cap rate. The net future cashflows over the holding period are calculated by starting with the assumed gross income stream and working back to the net income stream (where non recoverable costs are available).</p>	<p>Within the DCF approach, the expected future cash flows are determined for a given period of time (usually ten years), reflecting:</p> <ul style="list-style-type: none"> <li>• every income change resulting from any unexpected and/or expected changes in the market;</li> <li>• the effects of wear and tear of a property to cash flows or capital expenditure for large scale conversions or replacement of equipment;</li> <li>• periods that the property/part of it may not produce income and possibly the costs involved during these periods (costs borne by the property and/or taxes);</li> <li>• possible refurbishment of the property and all necessary improvements);</li> <li>• prevailing market conditions and the projected evolution of the property as an investment at the end of the holding period.</li> </ul>
<p><i>Comparative Method</i></p>	<p>This method is based on the following:</p> <ul style="list-style-type: none"> <li>• valuation is an estimate of what the market will pay</li> <li>• what has been paid for a similar interest in similar accommodation under similar economic conditions is the best indicator of market value.</li> </ul>

Values are weighted by applying a weighting factor 85% for the DCF and 15% for the Comparative Method.

## Notes to the financial statement

### 11. Income taxes

#### a) Income Tax Recognised in profit or loss

<i>In thousands of BGN</i>	2022	01 April – 31 December 2021
<i>Deferred tax</i>		
Origination of temporary differences	58	69
<b>Total income tax expense</b>	<b>58</b>	<b>69</b>

#### b) Reconciliation of the effective tax rate

<i>In thousands of BGN</i>			2022			01 April – 31 December 2021
Profit for the period			730			613
Total income tax expense			58			69
<b>Profit before taxes</b>			<b>788</b>			<b>682</b>
Income tax using the domestic tax rate of 10%	10.00%		79	10.00%		69
Unrecognized temporary difference	(2.66)%		(21)	-		-
<b>Effective tax rate</b>	<b>7.34%</b>		<b>58</b>	<b>10.00%</b>		<b>69</b>

The respective tax periods of the Permanent Establishment may be subject to inspection by the tax authorities until the expiration of 5 years from the end of the year in which a tax return was submitted, or should have been submitted, and additional taxes or penalties may be imposed in accordance with the interpretation of the tax legislation. The Permanent Establishment's management is not aware of any circumstances which may give rise to a contingent additional liability in this respect. The PE has not been subject to corporate income tax inspections.

#### c) Recognized deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Tax loss carry-forwards	6	6	-	-	6	6
Investment property	-	-	(133)	(75)	(133)	(75)
<b>Deferred tax assets/(liabilities)</b>	<b>6</b>	<b>6</b>	<b>(133)</b>	<b>(75)</b>	<b>(127)</b>	<b>(69)</b>

#### d) Movement in deferred tax balances during the year

	Balance 01 April 2021	Recognized in profit or loss	Balance 31 December 2021	Recognized in profit or loss	Balance 31 December 2022
Investment property	-	(75)	(75)	(58)	(133)
Tax loss carry-forwards	-	6	6	-	6
	-	(69)	(69)	(58)	(127)

## Notes to the financial statement

### 12. Trade and other receivables

<i>In thousands of BGN</i>	31 December 2022	31 December 2021
Receivables from the Principal	764	449
Trade receivables	64	46
Advances to suppliers	19	21
VAT receivable	12	9
Compensation for commercial electricity clients	-	6
	<u>859</u>	<u>531</u>

### 13. Cash and cash equivalents

<i>In thousands of BGN</i>	31 December 2022	31 December 2021
Cash in current bank accounts	22	-
	<u>22</u>	<u>-</u>

### 14. Trade and other payables

<i>In thousands of BGN</i>	31 December 2022	31 December 2021
Received deposits	220	236
Payables to suppliers	62	73
Payables to clients	2	-
	<u>284</u>	<u>309</u>

### 15. Financial instruments

#### Overview

The Permanent Establishment has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

This note presents information on the exposure of the Permanent Establishment to each of the above mentioned risks, the aims of the Permanent Establishment, the policies and processes for measuring and managing risk.

#### Risk management framework

The management has overall responsibility for the establishment of the policy for managing risks that can affect the Permanent Establishment. This policy establishes limits for taking risks of each type, defines the rules for controlling the risks in accordance with the established limits. The risk management policy is reviewed regularly to reflect changes in the risks to which the Permanent Establishment is exposed.

#### Credit risk

The credit risk of the Permanent Establishment is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and mainly arises from the Permanent Establishment's receivables from customers.

#### Trade receivables

The Permanent Establishment's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

## Notes to the financial statement

### 15. Financial instruments (continued)

#### Credit risk (continued)

##### Trade receivables (continued)

During 2022 and 2021 the Permanent Establishment's revenue is attributable to sales transactions with a great number of corporate customers. There is no concentration of credit risk.

##### Explosure to credit risk

The carrying amount of the Permanent Establishment's financial assets represents the maximum credit exposure to credit risk. The maximum exposure to credit risk at the reporting date is, as follows:

<i>In thousands of BGN</i>	Note	31.12.2022	31.12.2021
Trade receivables	12	64	46
Cash and cash equivalents	13	22	-
		<u>86</u>	<u>46</u>

Management considers that as at 31 December 2022 the Permanent Establishment is not exposed to significant credit risk due to the fact that at the reporting date the Permanent Establishment does not have significant financial instruments where a customer or counterparty to a financial instrument would fail to meet their contractual obligations.

##### Cash and cash equivalents

The Permanent Establishment held cash and cash equivalents of BGN 22 thousand at 31 December 2022 (31 December 2021: 0). The cash and cash equivalents are held with a bank, which is rated BBB, based on Bulgarian Credit Rating Agency (BCRA).

The estimated impairment on cash and cash equivalents was calculated based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Permanent Establishment considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

#### Liquidity risk

Liquidity risk is the risk that the Permanent Establishment will not be able to meet its financial obligations as they fall due. The PE's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the PE's reputation.

The following are the contractual maturities of the trade and other payables:

31 December 2022	Carrying amount	Contractual cash flows	Up to 6 months	6-12 months	More than 1 year
<b>Non-derivative financial liabilities</b>					
Payables to suppliers	62	(62)	(62)	-	-
Payables to clients	2	(2)	(2)	-	-
Received deposits	220	(220)	-	-	(220)
	<u>284</u>	<u>(284)</u>	<u>(64)</u>	<u>-</u>	<u>(220)</u>

31 December 2021	Carrying amount	Contractual cash flows	Up to 6 months	6-12 months	More than 1 year
<b>Non-derivative financial liabilities</b>					
Payables to suppliers	73	(73)	(73)	-	-
Received deposits	236	(236)	-	-	(236)
	<u>309</u>	<u>(309)</u>	<u>(73)</u>	<u>-</u>	<u>(236)</u>

## Notes to the financial statement

### 15. Financial instruments (continued)

#### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates or equity prices, will affect the Permanent Establishment's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### Currency risk

The Permanent Establishment is exposed to currency risk on purchases and sales that are denominated in a currency other than the functional currency of the Permanent Establishment - the BGN. The Permanent Establishment is exposed to currency risk, related to possible changes in the exchange rates with respect to its transactions in foreign currency. At the moment this risk is considered to be immaterial since as at 31 December 2021 the financial assets and liabilities of the Permanent Establishment are denominated in BGN or Euro and effective 1999 the exchange rate of Bulgarian Lev (BGN) is fixed to the Euro (EUR). The exchange rate is BGN 1.95583 / EUR 1.0.

Due to the above mentioned reasons, changes in the exchange rate of BGN or Euro against other currencies would not materially affect the financial statements of the Permanent Establishment.

#### Interest rate risk

Interest rate risk is the risk of fluctuations in the value of interest-bearing assets and liabilities of the Permanent Establishment, caused by changes in the market interest rates.

#### Exposure to interest rate risk

At the reporting date the interest rate profile of the Permanent Establishment's interest-bearing financial instruments is, as follows:

<i>In thousands of BGN</i>	Carrying amount	
	31.12.2022	31.12.2021
<b>Fixed rate instruments</b>		
Financial assets	22	-
	22	-

#### Accounting classifications and fair values

##### Fair values versus carrying amounts

The Permanent Establishment has no financial instruments measured at fair value. The carrying amounts of the financial instruments of the Permanent Establishment not measured at fair value represent reasonable approximation of their fair values.

### 16. Leases

#### Leases as lessor

The Permanent Establishment leases out its investment property. All leases are classified as operating leases from a lessor perspective, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the PE during 2022 is 1,112 thousand BGN (2021 is 748 thousand BGN).

The amounts of the contracted non-cancellable future minimum lease payments are, as follows:

<i>In thousands of BGN</i>	2022	2021
Up to 1 year	990	990
Between 1 and 5 years	896	1,109
	1,886	2,099

## Notes to the financial statement

### 17. Related parties

#### *Parent company and ultimate controlling party*

Noval Property Real Estate Investment Company Permanent Establishment is a Permanent Establishment of Noval Property Real Estate Investment Company - Greece, company registered in Greece. The ultimate parent is Viohalco SA (72.74%).

The Permanent Establishment is a related party with all entities from the Viohalco group.

#### *Transactions with related parties*

Transactions and outstanding balances of trade receivables and payables from/to related parties at the end of the year are, as follows:

*In thousands of BGN*

	Outstanding balances as at 31 December Receivables/(Payables) 2022	Outstanding balances as at 31 December Receivables/(Payables) 2021
<b>Received deposits under lease contract</b>		
Metalco Bulgaria EAD	(8)	(8)
<b>Intercompany account</b>		
Noval Property REIC - Greece – intercompany account	764	449

Part of the trade and other payables of the PE are paid from the bank accounts held by the Principal (Noval Property REIC - Greece). Part of the trade and other receivables of the PE are paid by the debtors to the bank accounts held by the Principal (Noval Property REIC - Greece). The Permanent Establishment has not recorded these transactions in the Statement of cash flows.

#### **Purchases from related parties**

	2022	01 April – 31 December 2021
Metalco Bulgaria EAD- recharged expenses	-	40
	-	40

#### **Sales to related parties**

	2022	01 April – 31 December 2021
Metalco Bulgaria EAD – rental income	49	36
	49	36

### 18. Commitments and contingencies

As at 31 December 2021 the Permanent Establishment has no commitments or contingent liabilities which can affect its financial position.

### 19. Subsequent events

No significant events have occurred that require additional disclosure or adjustment in the financial statements.

### 20. Basis of measurement

These financial statements are prepared on the basis of historical cost basis.

## Notes to the financial statement

### 21. Significant accounting policies

The Permanent establishment has consistently applied the following accounting policies to all periods presented in these financial statements.

#### a) Revenue from contracts with customers

Information on accounting policies relating to customer contracts is provided in Note 6.

#### b) Government grants

Grants that compensate the PE for expenses incurred are recognised in profit or loss as other income on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

#### c) Foreign currency

Transactions in foreign currencies are translated to the Bulgarian Lev (BGN) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to BGN at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Effective 1999, BGN rate is pegged to the Euro (EUR). The applicable exchange rate is BGN 1.95583 / EUR 1.0.

#### d) Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognized in profit or loss.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

Rental income from investment property is recognised as revenue from the operating activity on a straight-line basis over the term of the lease.

#### e) Financial instruments

##### *i) Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Permanent Establishment 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 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.

##### *ii) Classification and subsequent measurement*

#### **Financial assets**

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Permanent Establishment 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:



## Notes to the financial statement

### 21. Significant accounting policies (continued)

#### e) Financial instruments (continued)

##### ii) *Classification and subsequent measurement (continued)*

#### Financial assets (continued)

- 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.

#### Financial assets – Business model assessment

The Permanent Establishment 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 Permanent Establishment'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 Permanent Establishment's continuing recognition of the assets.

#### Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Permanent Establishment considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Permanent Establishment considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Permanent Establishment's claim to cash flows from specified assets (e.g. non-recourse features).

## Notes to the financial statement

### 21. Significant accounting policies (continued)

#### e) Financial instruments (continued)

##### ii) Classification and subsequent measurement (continued)

#### Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual per amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

#### 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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##### iii) Write-off

#### Financial assets

The gross carrying amount of a financial asset is written off when the Permanent Establishment has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Permanent Establishment 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 Permanent Establishment 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 Permanent Establishment's procedures for recovery of amounts due.

#### Financial liabilities

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

##### iv) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### f) Impairment

##### i) Non-derivative financial assets

#### Financial instruments and contract assets

The Permanent Establishment recognises loss allowances for ECLs on financial assets measured at amortised cost. Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

## Notes to the financial statement

### 21. Significant accounting policies (continued)

#### f) Impairment (continued)

##### i) *Non-derivative financial assets (continued)*

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Permanent Establishment 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 Permanent Establishment's historical experience and informed credit assessment and including forward-looking information. The Permanent Establishment assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Permanent Establishment considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Permanent Establishment in full, without recourse by the Permanent establishment 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 Permanent Establishment is exposed to credit risk.

#### *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 Permanent Establishment expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### *Credit-impaired financial assets*

At each reporting date, the Permanent Establishment assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Permanent establishment on terms that the Permanent establishment would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

#### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

#### *Write-off*

The gross carrying amount of a financial asset is written off when the Permanent Establishment has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Permanent Establishment 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 Permanent Establishment 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 Permanent Establishment's procedures for recovery of amounts due.

## Notes to the financial statement

### 21. Significant accounting policies (continued)

#### *g) Income tax*

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

#### *i) Current tax*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable or receivable in respect of previous years. Current tax also includes any tax arising from dividends.

#### *ii) Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the amount of current and deferred tax the Permanent Establishment takes into account the impact of uncertain tax items and whether additional taxes and interest may be due. The Permanent Establishment asserts that the accruals for tax obligations are adequate for all open tax years on the basis of estimating many factors, including interpreting tax laws and based on previous experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Permanent Establishment to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact the tax expense in the period, in which such a determination is made.

#### **h) Leases**

At inception of a contract, the Permanent Establishment assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Permanent Establishment uses the definition of a lease in IFRS 16.

## Notes to the financial statement

### 21. Significant accounting policies (continued)

#### h) Leases (continued)

##### (i) As a lessor

At commencement or on modification of a contract that contains a lease component, the Permanent Establishment allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

When the PE acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the PE makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The PE recognises lease payments received under operating leases as income on a straightline basis over the lease term.

### 22. Standards issued but not yet effective

The following new Standards, amendments to Standards and Interpretations, endorsed by the EC, are not yet mandatorily effective for annual periods beginning on or after 1 January 2022, and have not been applied in preparing these financial statements. The Permanent Establishment plans to adopt these pronouncements when they become effective.

#### *Standards, Interpretations and amendments to published Standards that have not been early adopted – endorsed by the EC*

##### **(a) IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)**

The standard is effective for annual periods beginning on or after 1 January 2023 and early application is permitted. The Permanent Establishment expects that the standard, when initially applied, will not have a material impact on the presentation of its financial statements because it does not issue insurance or reinsurance contracts, does not hold reinsurance contracts and does not issue investment contracts with discretionary participation features.

##### **(b) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021), effective for annual periods beginning on or after 1 January 2023. Earlier application is permitted. Once the entity applies the amendments to IAS 1, it is also permitted to apply the amendments to IFRS Practice Statement 2.**

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements;
- and the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information in order to support the amendments to IAS 1.

The Permanent Establishment does not expect the amendment to have a material impact on its financial statements when initially applied.

## Notes to the financial statement

### 22. Standards issued but not yet effective (continued)

*Standards, Interpretations and amendments to published Standards that have not been early adopted – endorsed by the EC (continued)*

**(c) Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021), effective for annual periods beginning on or after 1 January 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.**

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.
- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.
- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.
- A change in an accounting estimate may affect only the current period’s profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

The Permanent Establishment does not expect the amendment to have a material impact on its financial statements when initially applied.

**(d) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)**

The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

The Permanent Establishment does not expect the amendment to have a material impact on its financial statements when initially applied.

**(e) Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021)**

IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The Permanent Establishment does not expect the amendment to have a material impact on its financial statements when initially applied.

## Notes to the financial statement

### 22. Standards issued but not yet effective (continued)

#### *Standards and interpretations not yet endorsed by the EC*

Management believes that it is appropriate to disclose that the following new or revised standards, new interpretations, and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the EC, and therefore are not taken into account in preparing these financial statements. The actual effective dates for them will depend on the endorsement decision by the EC.

The following amendments and improvements to standards are not expected to have a material impact on the financial statements of the Permanent Establishment:

- *Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022);*
- *Amendments to IAS 1 Presentation of Financial Statements;*
- *Classification of Liabilities as Current or Non-current Date (issued on 23 January 2020);*
- *Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and*
- *Non-current Liabilities with Covenants (issued on 31 October 2022).*

