

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

**Permanent Establishment Bulgaria**

**Financial statements**

**For the year ended 31 December 2023**

*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*


	Note	31 December 2023	31 December 2022
<b>Assets</b>			
Investment property	10	13,105	12,250
<b>Non-current assets</b>		<b>13,105</b>	<b>12,250</b>
Trade and other receivables	12	872	859
Cash and cash equivalents	13	470	22
<b>Current assets</b>		<b>1,342</b>	<b>881</b>
<b>Total assets</b>		<b>14,447</b>	<b>13,131</b>
<b>Equity</b>			
Retained earnings		2,534	1,343
Other reserves		11,377	11,377
<b>Total equity</b>		<b>13,911</b>	<b>12,720</b>
<b>Liabilities</b>			
Deferred tax liabilities	11	275	127
Trade and other payables	14	204	220
<b>Non-current liabilities</b>		<b>479</b>	<b>347</b>
Trade and other payables	14	49	64
Current tax liabilities		8	-
<b>Current liabilities</b>		<b>57</b>	<b>64</b>
<b>Total liabilities</b>		<b>536</b>	<b>411</b>
<b>Total equity and liabilities</b>		<b>14,447</b>	<b>13,131</b>

The notes on pages 7 to 24 are an integral part of these financial statements.

The financial statements are approved on 4/3/2024 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>2023</b>	<b>2022</b>
Revenue	6	1,207	1,125
Other income	7	841	549
Expenses for materials	8	(10)	(12)
Expenses for hired services	9	(610)	(795)
Other expenses		(80)	(79)
<b>Result from operating activities</b>		<b>1,348</b>	<b>788</b>
Finance cost		(1)	-
<b>Net finance cost</b>		<b>(1)</b>	<b>-</b>
<b>Profit before income tax</b>		<b>1,347</b>	<b>788</b>
Tax expense	11	(156)	(58)
<b>Profit for the period</b>		<b>1,191</b>	<b>730</b>
<b>Total comprehensive income for the period</b>		<b>1,191</b>	<b>730</b>

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Bianka Atanasova, Director

  
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Panteleimon Mavrakis


## Statement of changes in equity


*In thousands of BGN*


	Other reserves	Retained earnings	Total equity
<b>Balance as at 01 January 2022</b>	<b>11,377</b>	<b>613</b>	<b>11,990</b>
<i>Comprehensive income for the period</i>			
Profit for the period	-	730	730
<b>Total comprehensive income</b>	<b>-</b>	<b>730</b>	<b>730</b>
<b>Balance as at 31 December 2022</b>	<b>11,377</b>	<b>1,343</b>	<b>12,720</b>
<b>Balance as at 01 January 2023</b>	<b>11,377</b>	<b>1,343</b>	<b>12,720</b>
<i>Comprehensive income for the period</i>			
Profit for the period	-	1,191	1,191
<b>Total comprehensive income</b>	<b>-</b>	<b>1,191</b>	<b>1,191</b>
<b>Balance as at 31 December 2023</b>	<b>11,377</b>	<b>2,534</b>	<b>13,911</b>

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KPMG Bulgaria OOD  
Bianka Atanasova, Director


  
Approved by:  
Managing Director  
Panteleimon Mavrakis


## Statement of cash flows

<i>In thousands of BGN</i>	<i>Note</i>	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>			
Proceeds from customers		1,302	85
Payments to suppliers		(683)	(63)
VAT paid		(76)	-
Other cash flows from operating activities		(95)	-
<b>Net cash flows from operating activities</b>		<b>448</b>	<b>22</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>			
Cash and cash equivalents at beginning of the period		22	-
<b>Cash and cash equivalents at end of period</b>	<i>13</i>	<b>470</b>	<b>22</b>

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Bianka Atanasova, Director

  
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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 2023 were authorized for issue by the Managing Directors on 4.3.1.2024.

### 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).

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 2024, having also in mind that the PE has no bank borrowing and that a significant percentage of energy and products cost is recharged to its tenants.

### 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

## 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

<i>In thousands of BGN</i>	2023	2022
Revenue from lease	1,134	1,112
Revenue from penalties	73	13
	<u>1,207</u>	<u>1,125</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 2023	31 December 2022
Received deposits, included in "Trade and other payables"	14	(204)	(220)
Receivables, included in "Trade and other receivables"	12	187	64
		<u>(17)</u>	<u>(156)</u>



## 6. Revenue (continued)

### C. Performance obligations and revenue recognition policies

The revenue is estimated based on the remuneration defined in the contract with the customer. The PE 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.

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

<i>In thousands of BGN</i>	2023	2022
Change in fair value of investment property	834	413
Government grants	7	136
<b>Total other income</b>	<b>841</b>	<b>549</b>

## 8. Expenses for materials

<i>In thousands of BGN</i>	2023	2022
Consumables for maintenance	10	12
<b>Total expenses for materials</b>	<b>10</b>	<b>12</b>

## 9. Expenses for hired services

<i>In thousands of BGN</i>	2023	2022
Expenses for maintenance	72	106
Management of the investment property	70	65
Cleaning	107	107
Security	69	65
Legal services	41	27
Accounting services	37	34
Overhead expenses	204	388
Other hired services	10	3
<b>Total expenses for hired services</b>	<b>610</b>	<b>795</b>

## 10. Investment property

### (a) Reconciliation of carrying amount

In thousands of BGN

	31 December 2023	31 December 2022
Balance as at 1 January	12,250	11,837
Capitalised subsequent expenditure	21	-
Change in fair value of investment property	834	413
<b>Balance as at 31 December</b>	<b>13,105</b>	<b>12,250</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><b>Discounted cash flows (DCF):</b> 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><b>Comparative Method</b></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.

## 11. Income taxes

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

<i>In thousands of BGN</i>	2023	2022
<b>Current income tax</b>		
Income tax for the current year	8	-
<b>Deferred tax</b>		
Origination of temporary differences	148	58
<b>Total income tax expense</b>	<b>156</b>	<b>58</b>

### b) Reconciliation of the effective tax rate

<i>In thousands of BGN</i>	2023		2022	
Profit for the period		1,191		730
Total income tax expense		156		58
<b>Profit before taxes</b>		<b>1,347</b>		<b>788</b>
Income tax using the domestic tax rate of 10%	10.00%	135	10.00%	79
Unrecognized temporary difference	1.56%	21	(-2,66)%	(21)
<b>Effective tax rate</b>	<b>11.56%</b>	<b>156</b>	<b>7.34%</b>	<b>58</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:

<i>In thousands of BGN</i>	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Tax loss carry-forwards	-	6	-	-	-	6
Investment property	-	-	(276)	(133)	(276)	(133)
Other deferred tax	1	-	-	-	1	-
<b>Deferred tax assets/(liabilities)</b>	<b>1</b>	<b>6</b>	<b>(276)</b>	<b>(133)</b>	<b>(275)</b>	<b>(127)</b>

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

	Balance 01 January 2022	Recognized in profit or loss	Balance 31 December 2022	Recognized in profit or loss	Balance 31 December 2023
Investment property	(75)	(58)	(133)	(143)	(276)
Tax loss carry-forwards	6	-	6	(6)	-
Other deferred tax	-	-	-	1	1
	<b>(69)</b>	<b>(58)</b>	<b>(127)</b>	<b>(148)</b>	<b>(275)</b>

## 12. Trade and other receivables

<i>In thousands of BGN</i>	31 December 2023	31 December 2022
Receivables from the Principal	613	764
Trade receivables	187	64
Paid deposits	51	-
Advances to suppliers	20	19
VAT receivable	1	12
	<u>872</u>	<u>859</u>

## 13. Cash and cash equivalents

<i>In thousands of BGN</i>	31 December 2023	31 December 2022
Cash in current bank accounts	470	22
	<u>470</u>	<u>22</u>

## 14. Trade and other payables

<i>In thousands of BGN</i>	31 December 2023	31 December 2022
Received deposits	204	220
Payables to suppliers	42	62
VAT payment	5	-
Payables to clients	2	2
	<u>253</u>	<u>284</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.

## 15. Financial instruments (continued)

### Credit risk (continued)

#### Trade receivables

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

During 2023 and 2022 the Permanent Establishment's revenue is attributable to sales transactions with a significant number of corporate customers. There is no concentration of credit risk.

#### Exposure 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	31.12.2023	31.12.2022
Trade receivables	12	187	64
Cash and cash equivalents	13	470	22
		<u>657</u>	<u>86</u>

Management considers that as at 31 December 2023 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 470 thousand at 31 December 2023 (31 December 2022: BGN 22 thousand). 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 2023	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	42	(42)	(42)	-	-
Payables to clients	2	(2)	(2)	-	-
Received deposits	204	(204)	-	-	(204)
	<u>248</u>	<u>(248)</u>	<u>(44)</u>	<u>-</u>	<u>(204)</u>

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>



## 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 all 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

The PE does not have any bank borrowing and the interest risk in relation to its financial assets is limited. 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	
	31.12.2023	31.12.2022
<b>Fixed rate instruments</b>		
Financial assets	470	22
	<u>470</u>	<u>22</u>

## 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 2023 is 1,134 thousand BGN (2022 is 1,112 thousand BGN).

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

<i>In thousands of BGN</i>	2023	2022
Up to 1 year	744	990
Between 1 and 5 years	148	896
	<u>892</u>	<u>1,886</u>

## 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%, as at 31.12.2023).

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 as at 31 December are, as follows:

*In thousands of BGN*

	<b>Outstanding balances as at 31 December Receivables/(Payables) 2023</b>	<b>Outstanding balances as at 31 December Receivables/(Payables) 2022</b>
<b>Received deposit under lease contract</b>		
Metalco Bulgaria EAD	(8)	(8)
<b>Intercompany account</b>		
Noval Property REIC - Greece – intercompany account	613	764

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.

<b>Sales to related parties</b>	<b>2023</b>	<b>2022</b>
Metalco Bulgaria EAD – rental income	54	49
	<u>54</u>	<u>49</u>

## 18. Commitments and contingencies

As at 31 December 2023 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, except for the Investment property, which is measured at fair value.

## **21. Material 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:



## 21. Material 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).

## 21. Material 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 PE 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.

## 21. Material 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.

## 21. Material 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.



## 21. Material 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. Change in material accounting policies

### 22.1 New standards and interpretations into force since 1 January 2023

The Permanent Establishment has adopted the following new and amended standards and interpretations issued by the International Accounting Standards Board and approved by the EU, which are effective for the Permanent Establishment's financial statements for the annual period beginning on 1 January 2023 but have no significant impact on the Permanent Establishment's financial performance or financial positions.

#### **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021)**

Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements. The amendments require the disclosure of 'material', rather than 'significant', accounting policies.

The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 21 Material accounting policies (2022: Note 21 Significant accounting policies) in certain instances in line with the amendments.

#### **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 narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences - e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date.

The amendments did not have impact on the financial statements of the PE.

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

### 22.1 New standards and interpretations into force since 1 January 2023 (continued)

#### **International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12) upon their release on 23 May 2023**

The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure. The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 31 December 2022 in any jurisdiction in which the Permanent Establishment operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Permanent Establishment's financial statements.

#### **Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021)**

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

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

The changes in the adopted standards listed above have no effect on amounts recognized in prior periods, nor are they expected to have a material effect on the current or future periods.

### 22.2 New standards, not yet adopted

The following new standards, amendments to standards and interpretations, approved by the EC, are not mandatory for years beginning on or after 1 January 2023 and were not used for the preparation of these financial statements. The Permanent Establishment plans to implement them when they come into force.

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

##### **(a) Amendments to IAS 1 Presentation of Financial Statements:**

- Classification of Liabilities as Current or Non-current (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)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The International Accounting Standards Board (IASB) has removed the requirement for a right to be unconditional and instead now requires that a right to defer settlement must exist at the reporting date and have substance.

Similar to existing requirements in IAS 1, the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early.

A Company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement.

After reconsidering certain aspects of the 2020 amendments, the IASB reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current.

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

### 22.2 New standards and interpretations, not yet adopted by the Permanent Establishment (continued)

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

##### **(a) Amendments to IAS 1 Presentation of Financial Statements (continued)**

Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify how a company classifies a liability that can be settled in its own shares – e.g. convertible debt.

When a liability includes a counterparty conversion option that involves a transfer of the company's own equity instruments, the conversion option is recognised as either equity or a liability separately from the host liability under IAS 32 Financial Instruments: Presentation. The IASB has now clarified that when a company classifies the host liability as current or non-current, it can ignore only those conversion options that are recognised as equity.

The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

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

##### **(b) Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)**

The amendments confirm the following: On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

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

##### **(c) Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements**

The amendments introduce two new disclosure objectives – one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

Transparency is expected under existing IFRS® Accounting Standards. However, the amendments introduce specific requirements for companies to provide the information users need

Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

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

### 22.2 New standards and interpretations, not yet adopted by the Permanent Establishment (continued)

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

##### **(c) Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements (continued)**

The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted.

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

##### **(d) Lack of Exchangeability – Amendments to IAS 21.**

A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate.

Therefore, when estimating a spot rate a company can use:

- an observable exchange rate without adjustment; or
- another estimation technique.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

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

##### **(e) Sales of contribution of assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28.**

The amendment is available for optional adoption. The effective date is deferred indefinitely.

#### *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 IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)