

RALAEEL HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2018

RALAEEL HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2018

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RALAEI HOLDINGS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Anil Kumar Kejriwal Growthpoint Holdings Limited Prithavi Raj Jindal
Company Secretary:	Trident Trust Company (Cyprus) Limited
Independent Auditors:	GAC Auditors Ltd Certified Public Accountants and Registered Auditors
Registered office:	Griva Digeni 115 Trident Centre 3101 Limassol Cyprus
Bankers:	State Bank of India
Registration number:	HE270293

RALAEI HOLDINGS LIMITED

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2018.

Principal activities and nature of operations of the Company

The principal activities of the Company, which are unchanged from last year, are the holding of investments and the provision of finance.

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

The Company's development to date, financial results and position as presented in the financial statements are as expected.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 6, 7 and 20 of the financial statements.

Existence of branches

The Company does not maintain any branches.

Results

The Company's results for the year are set out on page 6.

Dividends

The Company did not have any distributable profits as at 31 December 2018, thus the Board of Directors cannot recommend the payment of a dividend.

Share capital

There were no changes in the share capital of the Company during the year under review.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2018 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2018.

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

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

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 24 to the financial statements.

Related party transactions

Disclosed in note 21 of the financial statements.

Independent Auditors

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

By order of the Board of Directors,



Growthpoint Holdings Limited
Director

Larnaka, 23 April 2019

Independent Auditor's Report

To the Members of Ralael Holdings Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the parent company Ralael Holdings Limited (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the parent company Ralael Holdings Limited as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Responsibilities of the Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report (continued)

To the Members of Ralael Holdings Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on Other Legal Requirements

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

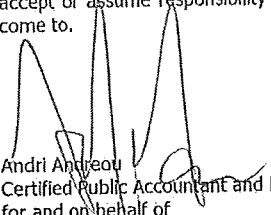
- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment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

Independent Auditor's Report (continued)

To the Members of Ralael Holdings Limited

Other Matter

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



Andri Andreou
Certified Public Accountant and Registered Auditor
for and on behalf of
GAC Auditors Ltd
Certified Public Accountants and Registered Auditors

Larnaka, 23 April 2019

RALAEI HOLDINGS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME Year ended 31 December 2018

	Note	2018 €	2017 €
Revenue			
Interest income		335.653	454,515
Administration expenses		(15.847)	(13,021)
Exceptional Item	11	<u>(900.000)</u>	-
Operating (loss)/profit		(580.194)	441,494
Finance costs	9	<u>(2.234.341)</u>	<u>(1.990.770)</u>
Loss before tax		(2.814.535)	(1,549,276)
Tax	10	<u>(2.153)</u>	<u>(13,150)</u>
Net loss for the year		(2.816.688)	(1,562,426)
Other comprehensive income		-	-
Total comprehensive expense for the year		<u>(2.816.688)</u>	<u>(1,562,426)</u>

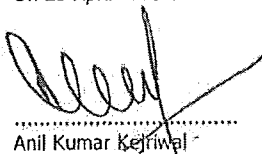
The notes on pages 10 to 20 form an integral part of these financial statements.

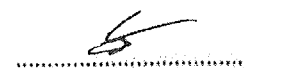
RALAEI HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION 31 December 2018

	Note	2018 €	2017 €
ASSETS			
Non-current assets			
Investments in subsidiaries	11	46,200,000	43,700,000
Non-current loans receivable	12	-	7,065,715
		<u>46,200,000</u>	<u>50,765,715</u>
Current assets			
Receivables	13	1,785	-
Loans receivable	12	5,601,368	-
Refundable taxes	19	9,612	-
Cash at bank	14	11,439	32,651
		<u>5,624,204</u>	<u>32,651</u>
Total assets		<u>51,824,204</u>	<u>50,798,366</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	15	3,725	3,725
Share premium		14,571,600	14,571,600
Accumulated losses		(7,535,037)	(4,727,961)
		<u>7,040,288</u>	<u>9,847,364</u>
Advances from shareholders	16	675	675
Total equity		<u>7,040,963</u>	<u>9,848,039</u>
Non-current liabilities			
Borrowings	17	44,738,956	40,904,910
		<u>44,738,956</u>	<u>40,904,910</u>
Current liabilities			
Creditors and accruals	18	42,132	32,267
Current tax liabilities	19	2,153	13,150
		<u>44,285</u>	<u>45,417</u>
Total liabilities		<u>44,783,241</u>	<u>40,950,327</u>
Total equity and liabilities		<u>51,824,204</u>	<u>50,798,366</u>

On 23 April 2019 the Board of Directors of Ralael Holdings Limited authorised these financial statements for issue.


.....
Anil Kumar Kejriwal
Director


.....
Growthpoint Holdings Limited
Director

The notes on pages 10 to 20 form an integral part of these financial statements.

RALAEEL HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Share capital €	Share premium €	Advances from shareholders €	Accumulated losses €	Total €
Balance at 1 January 2017	3,725	14,571,600	675	(3,165,535)	11,410,465
Comprehensive expense					
Net loss for the year	-	-	-	(1,562,426)	(1,562,426)
Balance at 31 December 2017	<u>3,725</u>	<u>14,571,600</u>	<u>675</u>	<u>(4,727,961)</u>	<u>9,848,039</u>
Balance at 1 January 2018	3,725	14,571,600	675	(4,727,961)	9,848,039
Comprehensive expense					
Net loss for the year	-	-	-	(2,816,688)	(2,816,688)
Revision of prior year tax	-	-	-	9,612	9,612
Balance at 31 December 2018	<u>3,725</u>	<u>14,571,600</u>	<u>675</u>	<u>(7,535,037)</u>	<u>7,040,963</u>

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

The notes on pages 10 to 20 form an integral part of these financial statements.

RALAEI HOLDINGS LIMITED

STATEMENT OF CASH FLOWS Year ended 31 December 2018

	Note	2018 €	2017 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(2.814.535)	(1.549.276)
Adjustments for:			
Impairment charge - Investments in subsidiaries	11	900.000	-
Interest expense	9	2.234.047	1.989.847
		319.512	440.571
Changes in working capital:			
Increase in receivables		(1.785)	-
Increase in creditors and accruals		9.865	7.440
Cash generated from operations		327.592	448.011
Tax paid		(13.150)	(2.288)
Net cash generated from operating activities		314.442	445.723
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	11	(3.400.000)	(5.400.000)
Loans granted		-	(2.871.515)
Loans repayments received		1.464.347	-
Net cash used in investing activities		(1.935.653)	(8.271.515)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		3.834.046	9.806.848
Interest paid		(2.234.047)	(1.989.847)
Net cash generated from financing activities		1.599.999	7.817.001
Net decrease in cash and cash equivalents		(21.212)	(8.791)
Cash and cash equivalents at beginning of the year		32.651	41.442
Cash and cash equivalents at end of the year		11.439	32.651

The cash and cash equivalents include the following:

	2018 €	2017 €
Cash at bank (Note 14)	11.439	32.651
	11.439	32.651

The notes on pages 10 to 20 form an integral part of these financial statements.

RALAEEL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. Incorporation and principal activities

Country of incorporation

The Company Ralael Holdings Limited (the "Company") was incorporated in Cyprus on 9 July 2010 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Griva Digeni 115, Trident Centre, 3101 Limassol, Cyprus.

Principal activities

The principal activities of the Company, which are unchanged from last year, are the the holding of investments and the provision of finance.

2. Basis of preparation

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

The Company is not required by the Cyprus Companies Law, Cap.113, to prepare consolidated financial statements because the Company and its subsidiaries constitute a medium sized group as defined by the Law and the Company does not intend to issue consolidated financial statements for the year ended 31 December 2018.

The European Commission has concluded that since parent companies are required by the EU Accounting (2013/34/EU) Directive to prepare separate financial statements and since the Cyprus Companies Law, Cap.113, requires the preparation of such financial statements in accordance with IFRS as adopted by the EU, the provisions in IFRS 10 "Consolidated Financial statements" requiring the preparation of consolidated financial statements in accordance with IFRS do not apply.

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

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018. This adoption did not have a material effect on the accounting policies of the Company.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in

Subsidiary companies

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

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

RALAEEL HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Finance costs

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

Tax

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

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

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Loans granted

Loans originated by the Company by providing money directly to the borrower are categorised as loans and are carried at amortised cost. This is defined as the fair value of cash consideration given to originate those loans as is determined by reference to market prices at origination date. All loans are recognised when cash is advanced to the borrower.

An allowance for loan impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Cash and cash equivalents

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

Financial liabilities - measurement categories

Borrowings

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

RALAEI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

4. Significant accounting policies (continued)

Share capital

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

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

Comparatives

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

5. New accounting pronouncements

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

6. Financial risk management

Financial risk factors

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

6.1 Interest rate risk

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

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

	2018	2017
	€	€
Fixed rate instruments		
Financial assets	5,601,368	7,065,715
Financial liabilities	<u>(37,623,664)</u>	<u>(40,904,910)</u>
	<u>(32,022,296)</u>	<u>(33,839,195)</u>

RALAEI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management (continued)

6.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has no significant concentration of credit risk. The Company has policies in place to ensure that loans are advanced to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

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

	2018	2017
	€	€
Loans receivables from related parties	5,601,368	7,065,715
Cash at bank	<u>11,439</u>	<u>32,651</u>
	<u>5,612,807</u>	<u>7,098,366</u>

6.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as obtaining financing from the shareholder as and when required.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2018	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€	€
Borrowings	44,738,956	44,738,956	-	-	-	44,738,956	-
Creditors and accruals	19,208	19,208	-	19,208	-	-	-
Payables to related parties	<u>22,924</u>	<u>22,924</u>	-	<u>22,924</u>	-	-	-
	<u>44,781,088</u>	<u>44,781,088</u>	-	<u>42,132</u>	-	<u>44,738,956</u>	-

31 December 2017	Carrying amounts	Contractual cash flows	3 months or less	3-12 months	1-2 years	2-5 years	More than 5 years
	€	€	€	€	€	€	€
Borrowings	40,904,910	40,904,910	-	-	-	40,904,910	-
Creditors and accruals	9,343	9,343	-	9,343	-	-	-
Payables to related parties	<u>22,924</u>	<u>22,924</u>	-	<u>22,924</u>	-	-	-
	<u>40,937,177</u>	<u>40,937,177</u>	-	<u>32,267</u>	-	<u>40,904,910</u>	-

6.4 Share ownership risk

The risk of share ownership arises from the investment in shares/participation of the Company and is a combination of credit, price and operational risk as well as the risk of compliance and loss of reputation. The Company applies procedures of analysis, measurement and evaluation of this risk in order to minimize it.

RALAEI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

6. Financial risk management (continued)

6.5 Capital risk management

Capital includes equity shares and share premium.

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

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

7. Critical accounting estimates and judgments

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

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

Critical accounting estimates and assumptions

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

- **Income taxes**

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

Critical judgements in applying the Company's accounting policies

- **Impairment of investments in subsidiaries**

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

RALAEI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

7. Critical accounting estimates and judgments (continued)

• Impairment of loans receivable

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

8. Expenses by nature

	2018	2017
	€	€
Auditors' remuneration	2,023	1,904
Professional fees	10,399	10,767
Annual levy	350	350
Other expenses	3,075	-
Total expenses	15,847	13,021

9. Finance costs

	2018	2017
	€	€
Interest expense	2,234,047	1,989,847
Sundry finance expenses	294	923
Finance costs	2,234,341	1,990,770

10. Tax

	2018	2017
	€	€
Corporation tax	2,153	13,150
Charge for the year	2,153	13,150

Subsequently to the signing of the financial statements of 2017, the transfer pricing study for the company was concluded which decreased the income tax payable from €13,150 to €3,538.

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

	2018	2017
	€	€
Loss before tax	(2,814,535)	(1,549,276)
Tax calculated at the applicable tax rates	(351,817)	(193,660)
Tax effect of expenses not deductible for tax purposes	395,731	262,429
Tax effect of allowances and income not subject to tax	(41,957)	(56,814)
10% additional charge	196	1,195
Tax charge	2,153	13,150

The corporation tax rate is 12,5%.

RALAEI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

10. Tax (continued)

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

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

11. Investments in subsidiaries

	2018	2017
	€	€
Balance at 1 January	43.700.000	38.300.000
Additions	3.400.000	5.400.000
Impairment charge (Note 24)	(900.000)	-
Balance at 31 December	46.200.000	43.700.000

The details of the subsidiaries are as follows:

Name	Country of Incorporation	Principal activities	2018	2017	2018	2017
			Holding %	Holding %	€	€
Jindal Saw Italia S.p.A.	Italy	Production of Iron pipes	100	100	46.200.000	43.700.000
					46.200.000	43.700.000

On September 2010, the Company acquired 100% of the share capital of Jinal Saw S.p.A. for €10.000.

For 2011 to 2015, the Company made various contributions to the share capital of Jindal Saw Italia S.p.A. increasing the cost of investment to €36.300.000.

During 2016, the Company made additional contribution in the share capital of Jindal Saw Italia S.p.A. of €2.000.000 increasing the cost of investment to €38.300.000.

During 2017, the Company made additional contribution in the share capital of Jindal Saw Italia S.p.A. of €5.400.000 increasing the cost of investment to €43.700.000.

During 2018, the Company made additional contribution in the share capital of Jindal Saw Italia S.p.A. of €3.400.000 increasing the cost of investment to €47.100.000.

The above investment has suffered impairment totalling €900.000, as stated at Note 24, which was recognised to the profit or loss.

The above investment is carried at cost less impairment.

12. Loans receivable

	2018	2017
	€	€
Loans to associates (Note 21.1)	5.601.368	7.065.715
Less current portion	(5.601.368)	-
Non-current portion	-	7.065.715

RALAEI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

12. Loans receivable (continued)

The loans are repayable as follows:

	2018	2017
	€	€
Within one year	5,601,368	-
Between one and five years	-	7,065,715

On 15 March 2015, the Company entered into a loan agreement with its subsidiary Jindal Saw Italia S.p.A. for an amount of €9,000,000 at the rate of twelve month Euribor plus 5,75% per annum. The loan is unsecured and is repayable in a single trench (Bullet) by 31 October 2019.

On 27 July 2015, the Company entered into a loan agreement with its subsidiary Jindal Saw Italia S.p.A. for an amount of €5,000,000, at a rate of 12 month Euribor plus 5,75% per annum. The loan is unsecured and is repayable in a single trench (Bullet) by 31 October 2019.

On 8 February 2017 the Company entered into a loan agreement with its subsidiary Jindal Saw Italia S.p.A. for an amount of €1,517,000 at a rate of 12 month plus 5,75% per annum. The loan is unsecured and repayable in a single trench (Bullet) by 31 October 2019.

The balance of the loan at 31 December 2018 comprises of the principal amount of €4,117,000 (2017: €5,917,000) and accrued interest of €1,484,368 (2017:€1,148,715). The interest charge during the year amounted to €335,653 (2017: €454,515)

The exposure of the Company to credit risk in relation to loans receivable is reported in note 6 of the financial statements.

13. Receivables

	2018	2017
	€	€
Prepayments	1,785	-
	<u>1,785</u>	<u>-</u>

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

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

14. Cash at bank

	2018	2017
	€	€
Cash at bank	11,439	32,651
	<u>11,439</u>	<u>32,651</u>

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

RALAEI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

15. Share capital

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
Authorised				
Ordinary shares of €1 each	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>
		€		€
Issued and fully paid				
Balance at 1 January	<u>3,725</u>	<u>3,725</u>	<u>3,725</u>	<u>3,725</u>
Balance at 31 December	<u>3,725</u>	<u>3,725</u>	<u>3,725</u>	<u>3,725</u>

16. Advances from shareholders

	2018 €	2017 €
Balance at 1 January	<u>675</u>	<u>675</u>
Balance at 31 December	<u>675</u>	<u>675</u>

The advance from shareholders is made available to the Board of Directors for future increases of the share capital of the Company and are not refundable.

17. Borrowings

	2018 €	2017 €
Non-current borrowings		
Loan from third party	37,623,664	34,159,324
Loan from parent company (Note 21.2)	<u>7,115,292</u>	<u>6,745,586</u>
	<u>44,738,956</u>	<u>40,904,910</u>

Maturity of non-current borrowings:

	2018 €	2017 €
Between two and five years	<u>44,738,956</u>	<u>40,904,910</u>

The above loans from Jindal Saw Limited have been replaced with a new loan agreement dated 29 May 2017 which is unsecured, carry interest at a rate of 1 year Euribor plus 5,50% per annum and are repayable on 29 May 2020. The year end balance of €7,115,292 (2017: €6,745,586) includes accrued interest of €1,615,292 (2017: €1,245,586). The interest charge for the year was €369,706 (2017: €355,298).

The above loans from third party which comprise of several loans, are unsecured, carry interest at the rate of 3 month Libor plus 4,65% per annum and have different repayment dates, the most distant being 13 March 2023. The year end balance of €37,623,664 (2017: €34,159,324) includes accrued interest of €6,406,664 (2017: €4,452,324). The interest charge for the year was €1,864,340 (2017: €1,634,551).

RALAEI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

18. Creditors and accruals

	2018	2017
	€	€
Shareholders' current accounts - credit balances (Note 21.3)	22,924	22,924
Accruals	18,571	9,036
Other creditors	637	307
	<u>42,132</u>	<u>32,267</u>

The fair values of creditors and accruals due within one year approximate to their carrying amounts as presented above.

19. (Refundable) taxes/current tax liabilities

	2018	2017
	€	€
Corporation tax	2,153	13,150
Refundable tax	(9,612)	-
	<u>(7,459)</u>	<u>13,150</u>

20. Operating Environment of the Company

Following a long and relatively deep economic recession, the Cyprus economy began to record positive growth in 2015 which accelerated during 2016. The restrictive measures and capital controls which were in place since March 2013 were lifted in April 2015 and on the back of the strength of the economy's performance and the strong implementation of required measures and reforms, Cyprus exited its economic adjustment programme in March 2016. In recognition of the progress achieved on the fiscal front and the economic recovery, as well as the enactment of the foreclosure and insolvency framework, the international credit rating agencies have proceeded with a number of upgrades of the credit ratings for the Cypriot sovereign, and although the rating continues to be 'non-investment grade', the Cyprus government has regained access to the capital markets. The outlook for the Cyprus economy over the medium term remains positive, however, there are downside risks to the growth projections emanating from the high levels of non performing exposures, uncertainties in the property markets, as well as potential deterioration in the external environment for Cyprus, including continuation of the recession in Russia in conditions of protracted declines in oil prices; weaker than expected growth in the euro area as a result of worsening global economic conditions; slower growth in the UK with a weakening of the pound as a result of uncertainty regarding the result of the Brexit referendum; and political uncertainty in Europe in view of Brexit and the refugee crisis.

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

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

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

RALAEI HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2018

21. Related party transactions

The following transactions were carried out with related parties:

21.1 Loans to subsidiary (Note 12)

	2018	2017
	€	€
Jindal Saw Italla S.p.A.	<u>5,601,368</u>	<u>7,065,715</u>
	<u>5,601,368</u>	<u>7,065,715</u>

21.2 Loans from parent company (Note 17)

	2018	2017
	€	€
Jindal Saw Limited	<u>7,115,292</u>	<u>6,745,586</u>
	<u>7,115,292</u>	<u>6,745,586</u>

21.3 Shareholders' current accounts - credit balances (Note 18)

	2018	2017
	€	€
Amount due to shareholder	<u>22,924</u>	<u>22,924</u>
	<u>22,924</u>	<u>22,924</u>

The shareholders' current accounts are interest free, and have no specified repayment date.

22. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2018.

23. Commitments

The Company had no capital or other commitments as at 31 December 2018.

24. Events after the reporting period

The Company, as at 31 December 2018 was under discussion for the sale of the majority of the shares in its subsidiary, Jindal Saw Italia S.p.A. On 29 January 2019, the Company entered into a share purchase agreement and sold 81% of its shareholding in its subsidiary Jindal Saw Italia S.p.A., to the related company Anbeeco Investments Limited, for a total consideration of €37,422,000, realising a loss of €729,000. The sale proceeds of €37,422,000 have been settled through a set off with the loan principal and interest payable to Anbeeco Investments Limited. On 13 February 2019 the transfer of shares was completed. The Company has also valued the remaining shareholding of 19% in Jindal Saw Italia S.p.A at the sale price and has accounted for the loss of €171,000 adjusting the value of the investment. The above loss of €900,000 has been presented as exceptional item in the profit or loss statement.

As a result of the above disposal, the total investment in the subsidiary Jindal Saw Italia S.p.A. has been revalued at 31 December 2018 at €46,200,000, resulting in an impairment of €900,000 which was recognised in profit or loss in the current year (Note 11).

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 3 to 5

RALAEL HOLDINGS LIMITED

DETAILED INCOME STATEMENT

Year ended 31 December 2018

	Page	2018 €	2017 €
Revenue			
Interest income		335,653	454,515
Operating expenses			
Administration expenses	22	<u>(15,847)</u>	<u>(13,021)</u>
		319,806	441,494
Other operating expenses			
Impairment charge - Investments in subsidiary		<u>(900,000)</u>	-
Operating (loss)/profit		<u>(580,194)</u>	441,494
Finance costs	23	<u>(2,234,341)</u>	<u>(1,990,770)</u>
Net loss for the year before tax		<u><u>(2,814,535)</u></u>	<u><u>(1,549,276)</u></u>

RALAEL HOLDINGS LIMITED

ADMINISTRATIVE EXPENSES

Year ended 31 December 2018

	2018	2017
	€	€
Administration expenses		
Annual levy	350	350
Auditors' remuneration	2,023	1,904
Legal and professional	<u>13,474</u>	<u>10,767</u>
	<u><u>15,847</u></u>	<u><u>13,021</u></u>

RALAEL HOLDINGS LIMITED

FINANCE EXPENSES

Year ended 31 December 2018

	2018	2017
	€	€
Finance costs		
Interest expense		
Loan Interest	2,234,047	1,989,847
Sundry finance expenses		
Bank charges	<u>294</u>	<u>923</u>
	<u>2,234,341</u>	<u>1,990,770</u>

RALAEI HOLDINGS LIMITED

COMPUTATION OF CORPORATION TAX Year ended 31 December 2018

Net loss per income statement	Page 21	€	€ (2.814.535)
<u>Add:</u>			
Impairment charge - Investments in subsidiaries		900.000	
Annual levy		350	
Non-allowable interest		2.234.047	
Bank charges		294	
Professional fees		12.422	
Interest income in order to obtain the profit margin		<u>18.736</u>	
			<u>3.165.849</u>
			351.314
<u>Less:</u>			
Interest income		<u>335.653</u>	
			<u>(335.653)</u>
Chargeable income for the year			<u><u>15.661</u></u>
<u>Calculation of corporation tax</u>			
	Income	Rate	Total
	€	%	€ c
Tax at normal rates:			
Chargeable income as above	<u>15.661</u>	12,50	1.957,63
10% additional charge			<u>195,76</u>
TAX PAYABLE			<u><u>2.153,39</u></u>