CYREIT Variable Capital Investment Company PLC

Annual Report and Consolidated Financial Statements
31 December 2018

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CYREIT Variable Capital Investment Company PLC

Board of Directors and other officers

Board of Directors

Marios Kalochoritis (appointed 16/1/2018, resigned 27/3/2019, effective 25/6/2019)
Constantinos Katsaros (appointed 16/1/2018)
Kyriacos Mavros (appointed 16/1/2018)
Michalis Xiouros (appointed 16/1/2018, resigned 27/3/2019, effective 25/6/2019)
Anna Sofroniou (appointed 16/1/2018, resigned 27/3/2019, effective 25/6/2019)
Spyridon Makrydakis (appointed 25/6/2019)
Aristotelis Karytinos (appointed 25/6/2019)

Company Secretary

Cyproservus Co. Limited (appointed 25/6/2019)
Makariou III 284
Fortuna Court Block B, Office 1C,
Lemesos 3105
Cyprus

BoC Secretarial Company Limited (appointed 16/1/2018, resigned 25/6/2019)
Stasinou 51
Agia Paraskevi, Strovolos
CY-2002, Nicosia
Cyprus

Registered office

Stasinou 51
Agia Paraskevi, Strovolos
CY-2002, Nicosia

Registration number: HE378781

CYREIT Variable Capital Investment Company PLC

AIF Manager Report

In relation to CYREIT Variable Capital Investment Company PLC (the "Fund")

Introduction

The Fund was incorporated on 16 January 2018 and is domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 with registration number HE 378761. Its registered office is 51 Stasinou, Agia Paraskevi, CY-2002, Nicosia, Cyprus.

The Fund's principal activity is to own and operate commercial real estate properties (primarily retail, offices, logistics and hotels) in Cyprus.

Incorporation

The Fund was incorporated on 16 January 2018.

Investment Strategy and Objectives of the Fund

The Fund's Business Strategy is to follow and execute core and core plus strategies pursued by large institutional investors which typically entail investments in properties fully operational, with stable lease roll, that generally involve little capital expenditure after purchase, and therefore, less active management and administration.

The Fund is consolidating a high-quality portfolio of commercial real estate assets with strong income and potential for value creation. This portfolio will combine low-risk rental profile properties that generate recurring income with some potential value on leases for smaller size properties. The Fund considers the potential for value enhancement that may be realized following the improved management of the property, through amongst other things, repositioning or re-leasing strategies on smaller value assets of the portfolio that currently have shorter lease agreements in place.

This core income generating business strategy on which the Fund is focused differs from (i) opportunistic strategies, which are generally exposed to a high degree of risk and leveraged rate of return, as they typically involve a significant amount of "value creation" through development and investments in distressed markets; and (ii) value creation strategies which typically entail investments in properties that are not fully leased or operational and with the aim of creating value through development, significant capital expenditure, active property management and maximizing operating efficiency and profitability at the property level in order to capture their cash flow and value.

The primary objective of the Fund will be to generate and grow medium to long-term income through investments in a managed portfolio of real estate assets. The Fund's primary investment objective is to provide Investors with attractive risk-adjusted returns through investments that have the potential to provide stable income by investing in a diversified portfolio of real estate assets that the Board of Directors believes have special investment income profile.

The main objective of the Fund is to generate attractive returns for Investors and at the same time be able to mitigate risk while exploring real estate opportunities within the Cypriot real estate market. The Fund's strategy has been constructed in such a way that will enable its Investors to seize income generating return opportunities with as much elimination of risks exposure as possible.

Investment Strategy and Objectives of the Fund (continued)

This will be mainly implemented through the acquisition of a diversified real estate portfolio of commercial properties that are currently fully or partly leased under long term contracts.

The Fund shall invest in a manner so as to capitalize on (i) its position as a long term investor, (ii) the size of its Portfolio, and its ability to achieve diversification. The real estate investment Portfolio of the Fund is to be managed, and sold in a prudent manner for the sole benefit of the Fund and its Investors, in accordance with any applicable statutes.

Investment restrictions

The Fund is subject to all applicable restrictions and limits set forth in Directive D131-2014- 03 regarding the Classification of the AIFs of the Republic and other relevant issues as well as by Directives that may be issued, from time to time, by the CySEC under Section 15 of the AIF Law. The Directive 131-2014-03 defines the applicable investment restrictions for the AIFs according to the nature of their assets and the Investors to which they are addressed, the efficient portfolio management techniques, the categories of AIFs of the Republic based on their investment objective and the structure of their investments as well as transparency rules and disclosures to Investors.

AIFM Law Thresholds

The Company is authorized as a self-managed Sub-Threshold AIF under section 4(2)(a) of the AIF Law. Consequently, the Company shall always ensure that the assets under management of its Portfolio, in total do not exceed the threshold of EUR 500.000.000 where no leverage is employed and a lock-up period of 5 years is in place. In case the Company exceeds the threshold of EUR 500.000.000 it shall apply for authorization as a self-managed AIF under the provisions of the AIFM Law or restructure its license in a way so as to be managed by an AIFM within 30 calendar days in accordance with the relevant procedures laid down in the AIFM Law.

Change of the Investment Strategy or Investment Policy

The Fund shall not alter its objects or powers in any way which would result in it ceasing to qualify as an AIF under the AIF Law and without the prior consent of the CySEC.

In the event the Board of Directors intends to amend the strategic orientations of the Company, a decision through a board resolution is required as well as a written notification to CySEC for approval. Should any of the existing Investors object the change of the Fund’s investment strategy/policy they will be given the option to redeem their Investment Shares prior to the effective date of the change in investment strategy/ policy as per the redemption conditions specified in this Prospectus.

As per the Articles of Association of the Fund no such right of redemption will apply during(i) the Lock up Period; or (ii) in the event that the Memorandum and/or Articles of Association are amended by reason of the appointment of an external management company for the management of the Fund’s portfolio following relevant notification by the Fund and respective approval of CySEC.

Risk management Operations and Key service Providers

Risk management is carried out under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Fund operates without a Depositary in accordance with section 23(4) of the AIF Law, as its total assets are not subject to custody.

The cash of the Fund are deposited with Bank of Cyprus Public Company Limited. Titles of properties as well as ownership certificates of private company shares are kept by the Secretary in the Company's head offices.

The Secretary to the Company is BOC Secretarial Company Ltd, a professional services firm registered in Cyprus, fully owned by BOC. The Secretary amongst its other duties, will prepare and distribute Board meeting notices to the Directors, unless such requirement is waived, and participate in the meetings of the Board of Directors. The Secretary will prepare the agenda of each meeting and record all documents presented during the meeting. Minutes of meetings and resolutions will also be prepared by the Secretary.

The Portfolio Manager shall have full authority to manage the assets of the Fund's Portfolio. In particular, the Portfolio Manager can sell or otherwise dispose of, and invest in assets related to the investment strategies of the Fund on its account. It is the responsibility of the Portfolio Manager to implement the Fund's investment strategy. The Board of Directors is responsible for monitoring the performance and activities of the Portfolio Manager on a frequent basis.

The Fund shall maintain and apply appropriate risk management systems, in order to identify, measure, manage and duly monitor the risks related to the investment positions that it undertakes and the contribution of these positions to the overall risk profile of the Portfolio of the Fund. To this end, the Board of Directors will enter into a fund hosting delegation services agreement with BOC Asset Management Limited, Risk Management Services and the position of the Risk Management Officer. BOC Asset Management Limited has nominated Mr Vineet Bismal as Risk Management Officer.

The AML Compliance Officer is responsible for ensuring compliance with the Anti-Money Laundering Law and anti-money laundering Directives issued by CySEC, as well as the identification and reporting of any money laundering activity to the relevant authorities. The AML Compliance Officer is also responsible for the overall monitoring of the Investor acceptance procedures performed by the Company.

AIF Manager Report (continued)

Risk management Operations and Key service Providers (continued)

The Fund is responsible for carrying out all the administration duties and tasks in accordance with section 6(1)(b) of the AIF Law. The administration function includes, among others, the following:

(i) Accounting management services;

(ii) Disclosure of information services and services to the Registered Holders;

(iii) Net Asset Value (NAV) calculation and pricing, including tax returns;

(iv) Assistance with regulatory compliance monitoring;

(v) Maintenance of the Register;

(vi) Distribution of profits;

(vii) Issues and redemptions of Investment Shares;

(viii) Contract settlements;

(ix) KYC/AML collection; and

(x) Record keeping.

The administrative functions of the Fund will be performed internally by the Board of Directors using the resources of Bank of Cyprus Public Company Limited and via the fund hosting delegation services agreement with BOC Asset Management Limited. BOC Asset Management Ltd has nominated Mrs Yianna Thrasyvoulou for such services.

The Company will have organizational and administrative arrangements for identifying, preventing, managing and disclosing conflicts of interest in order to prevent any damage to the interests of its Investors. The Company is committed to conducting business in a manner that ensures the Company's, the Auditor's and associates' business judgment and decision making is not influenced by undue personal interests.

Valuation and Pricing Methodology

The Fund's assets will, together with any cash or cash equivalents and any fees and expenses, be valued on each Valuation Day, defined as the last Business Day of each quarter and on any other date the Directors of the Company, at their sole discretion, determine. The net assets of the Company are valued in the Base Currency of the Company, being the Euro.

The calculation of the NAV attributable to Investment Shares will be calculated by the Fund in respect of the relevant Valuation Day by reference to the valuation guidelines below and in accordance with the Articles.

The NAV of the Fund is defined as an aggregate value of the consolidated assets minus consolidated liabilities.

AIF Manager Report (continued)

Valuation and Pricing Methodology (continued)

The assets shall be deemed to include: (i) all investment holdings held in the Portfolio (ii) all cash in hand or on deposit, including any interest accrued thereon; (iii) the set up expenses of the Fund, including the cost of issuing and distributing Investment Shares, insofar as the same have not been written off; (iv) all accounts receivable; (v) any cash dividends and cash distributions receivable to the extent information thereon is reasonably available to the Fund; (vi) all interest accrued on any interest bearing assets owned by the Fund except to the extent that the same is included or reflected in the principal amount of such asset; (vii) and all other assets of any kind and nature including expenses paid in advance.

The liabilities allocated to the Fund include: (i) all temporarily contract loans, bills and accounts payable; (ii) all accrued or payable expenses and any other third party service provider fees, that have been appointed pursuant to a written agreement or engagement letter including the management fee; (iii) all known liabilities, present and future, including all matured contractual obligations for payment of money or property; (iv) an appropriate provision for future taxes based on income or reserves to the relevant Valuation Day; (v) any Duties and Charges; and (vi) all other liabilities of the Company of whatsoever kind and nature except liabilities represented by Investment Shares.

Valuations of the Company’s real estate assets will be made for the periods ending 30 June and 31 December in each year through an on site valuation, performed by a suitable independent qualified RICS accredited appraiser to be appointed by the Board of Directors.

Valuations of the Company’s real estate assets will be made in accordance with the appropriate sections of the RICS Red Book at the date of valuation. This is an internationally accepted basis of real estate valuation.

The Directors intend to appoint the designated independent qualified RICS accredited valuator to conduct valuations for an asset for a period of two years i.e. on 30 June and 31st December of each year. For each asset a new designated independent qualified RICS accredited appraiser will be appointed every two years.

The NAV per Share of the Fund in respect of each Valuation Day shall be ascertained by:

(i) determining the NAV of the Fund; and

(ii) dividing the amount calculated under (i) above by the number of Investment Shares in issue at the relevant Valuation Day; and

(iii) deducting therefrom such amount as may be necessary to round the resulting amount to seven (7) decimal places.

AIF Manager Report (continued)

Liquidity Risk Management and Redemption Rights

For liquidity and to respond to unusual market conditions, the Fund, in accordance with its investment policy, may from time to time invest part of its assets in cash and cash equivalents. Investments in cash and cash equivalents may result in a lower yield than other investments thus preventing the Fund from meeting its investment objective. Such investment in cash will be used for temporary defensive purposes rather than an investment strategy, and will be considered on a wider basis following the lapse of the five year lock up period, and based on the redemption notices to be given during the redemption exit cut off period. Cash equivalents are highly liquid, high-quality instruments with maturities of three months or less on the date they are purchased. They include, but are not limited to, securities issued by sovereign governments, their agencies and instrumentalities, certificates of deposit, bankers' acceptances, commercial paper (rated in one of the two highest rating categories), and bank money market deposit accounts.

The Fund is also classified as an Open-Ended AIF with limited liquidity arrangements since it implements arrangements which result in the limitation of the redemption rights of its Investors e.g. Lock-Up Period, deferral policy etc as further described in section titled ‘Redemptions’ of this Prospectus.

Investors will not be able to redeem their Investment Shares prior to the end of the Company’s five (5) years Lock-Up Period. Due to the Lock-Up Period imposed by the Directors, redemption of Investment Shares shall be effected from the 5th year of the Company’s life onwards on 1st January of every year. The Lock-Up Period is related to the relevant provisions of the law, the Investment Strategy of the Company and the low liquidity nature of its assets. The first Redemption Date is set at 1 April 2023 and on 1st January of every year thereafter, with second Redemption Date set at 1st January 2024.

Redemptions will be effected within 12 months after the expiry of the relevant redemption notice period, subject to applicable creditor notice periods and registration and settlement time of the redemption.

In extraordinary circumstances, the Fund may at its discretion, acting in the best interests of the shareholders, and subject to CySEC’s approval suspend a redemption notice period and/or the execution of received redemptions for a period of three month at a time. Suspension may be initiated in situations where there is a clear need to protect the interest of the shareholders or the Fund, including the circumstances justifying a temporary suspension of determination of the NAV. If redemptions are suspended investors will have the right to ask for withdrawal of their redemption request. The withdrawal is subject to acceptance by the Fund.

The name of a redeeming Registered Holder will be removed from the Register on the Dealing Day upon determination of the Redemption Proceeds in respect of the Investment Shares being redeemed. Registered Holders requesting the redemption of all or any part of their Investment Shares on any particular Dealing Day will, with effect from that Dealing Day (i) be treated as creditors of the Fund and will rank accordingly in the event of a winding up of the Fund; (ii) have no rights as Registered Holders of Investment Shares being redeemed; and(iii)are entitled to receive the Redemption Price and any Dividend which has been declared in respect of their Investment Shares but not paid prior to the relevant Dealing Day.

AIF Manager Report (continued)

Liquidity Risk Management and Redemption Rights (continued)

Amendments on the Fund's Memorandum and Articles will be valid only if are approved by CySEC. The valid amendments shall be communicated immediately to the Investors who shall have the right to ask for redemption of their Investment Shares within two (2) months of the communication to them of any amendments to the Memorandum and/or Articles of the Fund.

As per the Articles of Association of the Fund no such right of redemption will apply during(i) the Lock up Period; or (ii) in the event that the Memorandum and/or articles of Association are amended by reason of the appointment of an external management company for the management of the Company's portfolio following relevant notification by the Fund and respective approval of CySEC.

Fees, Charges and Expenses

The Fund's expenses may include, but not be limited to set-up fees, advisory fees and expenses of the members of any committee that may be established for monitoring the Investments and/or risk exposure or for having an advisory role for matters relating to the investment strategy or policy, advisory fees of investment or non-investment nature.

Real estate property costs will include the fees for the periodic valuation of assets, repairs, maintenance and refurbishment costs, electricity and water bills, sewerage charges, municipality and other property holding fees and other related expenses.

Additionally, expenses may also include tax directly arising from the ownership of Investments, costs of establishing and maintaining the Fund registering the Fund and the Investment Shares with any governmental or regulatory authority, costs of printing, reporting and publishing expenses including reasonable marketing and advertising expenses such as addenda and explanatory term-sheets fees payable to the Directors (including all reasonable out-of-pocket expenses and travel expenses), costs of extraordinary measures carried out in the interests of Investors in particular, postage, telephone, and facsimile charges, reports to CySEC and governmental agencies, all taxes, duties, governmental or similar charges, auditing, tax and legal fees, insurance premiums, membership dues for trade associations, paying agent and/or local representative fees that are payable at normal commercial rates, costs of dealing with legal proceedings and expenses of litigation, and all other operating expenses such as governmental or similar charges. Some fees and charges may be subject to value added tax ("VAT") in Cyprus or abroad at the applicable VAT rate.

The following fees and expenses are allocated to the Fund:

I. Directors' Fees
II. Management Fee
III. External Auditor Fees
IV. Compliance/AML Officer Fee
V. Risk Management Fee
VI. Fund Administration Fee
VII. Corporate and Secretarial Fees
VIII. Regulatory expenses

AIF Manager Report (continued)

Fees, Charges and Expenses (continued)

The Board of Directors intents to limit the total expenses of Director Fees, Management Fees, Internal Audit, Risk, Compliance/AML, Fund Administrator and Corporate and Secretarial Fees payable to Bank of Cyprus Group to a maximum 1% of the Fund's total Net Asset Value per year.

Fair Treatment Principles

The Fund has procedures, arrangements and policies in place to ensure compliance with the principles of fair treatment of Investors. The Fund has taken all the necessary measures to ensure that its decision-making procedures and its organizational structure ensure fair treatment of Investors.

The principles of treating Investors fairly include, but are not limited to:

- Acting in the best interests of the Fund and its Investors;
- Executing the investment decisions taken for the account of the Fund in accordance with the objectives, the investment policy and the risk profile of the Fund;
- Ensuring that the interests of any group of Investors (if any) are not placed above the interests of any other group of Investors;
- Ensuring that fair, correct and transparent pricing models and valuation systems are used for the Fund;
- Preventing undue costs being charged to the Fund and its Investors;
- Taking all reasonable steps to avoid conflicts of interests and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of Investors; and
- Recognizing and dealing with complaints fairly.

The Board ensures that Investors are properly informed, are fairly and equitably treated and receive the benefits and services to which they are entitled.

- The Fund will take into account the interest of all Investors, in particular where Fund decisions may affect Investor groups differently; and
- The Fund will ensure each Investors' complaints are reviewed and, if it is upheld, that redress is provided within a reasonable time.

The Fund will ensure that Investors receive the benefits and level of services to which they are entitled as defined by law, contractual arrangements and the Fund's constitutional documents.

The Board ensures that Investors are properly informed, are fairly and equitably treated and receive the benefits and services to which they are entitled.

AIF Manager Report (continued)

Issue of Units

Bank of Cyprus Public Company Limited has subscribed to the Investment Shares of the Fund, by means of cash and non-cash contributions in the form of a Property Portfolio acquired by the Fund.

The Fund may only proceed with the issuance of additional Investment Shares on the following occasion:

- In the event that the Fund considers it desirable to issue additional Investment Shares so as to raise sufficient funds for satisfying a redemption request submitted by a holder of Investment Shares. Investment Shares may only be subscribed on such dates as the Directors of the Fund may determine at their own discretion, at the Subscription Price calculated with reference to the NAV per Share calculated on the last Business Day of the previous month, being the Valuation Day. Investors should settle payment of the subscription monies at least one (1) Business Day prior to the Valuation Day. Payment of subscription monies should be made to the bank account whose details are provided in the Subscription/Acquisition Application Form.

Investment Shares are issued and allotted on such relevant Dealing Day. No Investment Shares will be issued or allotted by the Fund during any period in which the determination of the NAV per Share is suspended.

The Fund shall provide to each potential Investor, free of charge, the Prospectus, its Articles and its latest annual and half-yearly reports, if available, and shall disclose to the potential Investor the latest Net Asset Value before signing the Subscription/Acquisition Agreement.

For the Subscription by the Investor, the following are necessary:

(a) An application for Subscription in Investment Shares is submitted to the Fund in writing;

(b) Acceptance of the Memorandum and Articles of the Fund by the applicant;

(c) Full payment of the amount due for the acquisition of the Investment Shares, as this is determined on the basis of the Initial Subscription Price or Subscription Price of the Investment Share in cash.

The Directors are authorized to close or restrict the Fund to new Subscriptions, either for a specified period and either in respect of all Investors or new Investors only.

Results

The Net Asset Value of the Fund as at 31 December 2018 amounts to €189,4 million. The Fund's results for the period are set out on page 18.

AIF Manager Report (continued)

Disclosures to Investors

The Fund prepare and submits, to the CySEC the following:

(a) The annual report of the Fund for each fiscal year; and

(b) The half-yearly report of the Fund for the first six months of the fiscal year.

The annual and half-yearly report of the Fund shall be communicated to the CySEC and made available to the Investors at the points of distribution of its Investment Shares within the following deadlines:

(a) six months from the end of the Financial Year, in the case of the annual report; and

(b) two months from the end of the six month period, in the case of the half-yearly report.

The Prospectus of the Fund, its last annual and half-yearly report and its Articles shall be given to Investors, free of charge, before their investment or participation in the Fund. The Fund shall communicate to Investors, free of charge the annual accounts and the annual report of the Fund, upon their request.

All disclosures and relevant statements to Investors will be by sent by e-mail and/or by durable means such as direct mail. Investors may also, acquire any of the abovementioned information from the Fund upon request.

Professional insurance

To cover potential professional liability risks resulting from the activities of the Fund, the members of the Board of Directors hold professional indemnity insurance against any civil liability arising from professional negligences. The insurance provider is amongst the major insurance providers in Cyprus capable of undertaking any civil liability that may arise.

By Order of the Board of Directors

Kyriacos Mavros
Director

Nicosia
12 July 2019

Consolidated Management Report and Report on the Activities and Performance for the period

The Board of Directors presents its report together with the audited consolidated financial statements of the Fund for the period ended 31 December 2018, together with the Report on the Activities and Performance for the period.

Principal activities and nature of operations of the Fund

The Fund's principal activity is to own and lease commercial real estate properties (primarily retail, offices, logistics and hotels) in Cyprus.

Principal risks and uncertainties

Real estate funds inherently assume real estate property risks such as fluctuation in market values and rents. CYREIT's properties are concentrated in the Cypriot market therefore it has greater exposure to political, economic and other factors affecting the Cypriot market.

The principal other financial risks and uncertainties faced by the Fund are disclosed in Note 6 of the consolidated financial statements.

Real estate risks

The value of any properties that the Fund owns and the rental income those properties yield may decline and this is affected by the conditions of the Cypriot property market. Property valuations are inherently subjective and uncertain. The Fund's net asset value is expected to fluctuate over time as it may be materially adversely affected by a number of factors inherent to real estate such as sub-optimal tenant rotation policies or lease renegotiations, decreased demand, the inability to recover operating costs, incorrect repositioning of an asset in changing market conditions, increases in operating and other expenses or cash needs without a corresponding increase in turnover or tenant reimbursements, increases in the rate of inflation in excess of rental growth, property taxes or statutory charges or insurance premiums, costs associated with tenant vacancies and unforeseen capital expenditure affecting properties which cannot be recovered from tenants.

The Fund is exposed to the risk of insolvency or illiquidity of its tenants, which might cause them to default on their rental payment commitments. Additionally a default by a major tenant could cause significant losses of income, create additional costs, or cause a reduction in asset value and increased credit losses.

The Fund is exposed to certain risks related to the structural condition of the properties and their maintenance and repair which the Fund could be deemed financially liable for any required remediation measures.

Review of developments, position and performance of the Fund

The Fund’s aim is to achieve a targeted 5,5% gross rental yield on the market values upon contribution. This is intended to be achieved through the Fund’s strategy which entails maximising occupancy, minimising arrears, improving contracts and maintaining building’s value.

Market Values - As per the latest valuation reports carried out by independent property valuers, the market value of the properties stands at €183 million which on an overall basis is lower predominately due to the revaluation losses arising in relation to a property for which rental income and hence the valuation is based on the tenant’s turnover, for which a decrease in turnover is experienced.

Cash and Other net Assets - The cash at bank as at 31 December 2018 amounts to €7,7m mainly due to the collection of rents. Other net assets refer mainly to trade and other receivables.

Results and dividend

For the results of the Fund during the period refer to page 18. The Board of Directors does not recommend any dividends.

Tenancies

The Fund has a diversified array of high-quality and well known/established tenants, spanning from government agencies, hotel operators, retailers, universities, DIY suppliers, car dealerships, banking institutions and various other highly regarded tenants. The Fund’s intentions is to improve income profiles thus adding value to the property portfolio through proactive renegotiation of leases and through optimisation of vacant spaces.

Operational

The Fund’s aim is to maintain value by keeping the properties in a good state of repair and being proactive in maintenance work as well as proceeding with any works that are deemed necessary as regards health and safety.

Share capital

For details regarding the share capital of the Fund refer to Note 17 of the consolidated financial statements.

CYREIT Variable Capital Investment Company PLC

Consolidated Management Report and Report on the Activities and Performance for the period (continued)

Board of Directors

The members of the Board of Directors at 31 December 2018 and at the date of this report are shown on page 1.

In accordance with the Company's Articles of Association all Directors retire at the next Annual General Meeting and, being eligible, offer themselves for re-election.

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

Future developments of the Fund

The Board of Directors and the Management Company do not expect any significant changes in the Fund's operations, financial position and performance of the Fund in the foreseeable future.

Events after the balance sheet date

Events after the balance sheet date are disclosed in Note 20 of the consolidated financial statements.

Branches

The Fund did not operate through any Branches during the period.

Independent auditors

The Independent auditors, Pricewaterhouse Coopers Limited, have expressed their willingness to continue in office. 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

Kyriacos Mavros
Director

Nicosia
12 July 2019

Independent Auditor's Report

To the Members of CYREIT Variable Capital Investment Company PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of CYREIT Variable Capital Investment Company PLC (the "Fund"), and its subsidiaries (the "Group") which are presented on pages 18 to 46 and comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statements of comprehensive income, changes in net assets and cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the period 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the AIF Manager's report and the Consolidated Management Report and Report on the Activities and Performance for the period but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 consolidated financial statements.
- In our opinion and in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the consolidated management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Fund'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.

George C. Kazamias

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 12 July 2019

CYREIT Variable Capital Investment Company PLC

Consolidated statement of comprehensive income for the period from 16 January 2018 (date of incorporation) to 31 December 2018

	Note	For the period from 16 January 2018 to 31 December 2018 €
Income		
Rental income	8	**7.389.847**
Other income	9	**29.114**
Total net income		**7.418.961**
Expenses		
Operating expenses	11	**(2.568.023)**
Other losses - net	10	**(5.725.292)**
Total expenses		**(8.293.315)**
Operating loss		**(874.354)**
Finance costs	12	**(17.063)**
Loss before tax		**(891.417)**
Income tax expense	13	**(250.618)**
Decrease in net assets attributable to holders of investment shares		**(1.142.035)**

The notes on pages 22 to 46 are an integral part of these financial statements.

CYREIT Variable Capital Investment Company PLC

Consolidated balance sheet at 31 December 2018

	Note	2018 €
Assets		
Non-current assets		
Investment properties	15	183.054.844
Current assets		
Trade and other receivables		598.135
Cash at bank	16	7.687.128
		8.285.263
Total assets		191.340.107
Liabilities		
Current liabilities		
Trade and other payables	18	1.972.641
Current income tax liabilities		1.504
Total liabilities		1.974.145
Net assets attributable to holders of investment shares		189.365.962
Number of shares as at 31 December 2018		175.393
Net assets attributable to holders of investment shares per share		1.079,67

On 12 July 2019 the Board of Directors of CYREIT Variable Capital Investment Company PLC authorised these consolidated financial statements for issue.

Kyriacos Mavros, Director

Aristotelis Karytinos, Director

The notes on pages 22 to 46 are an integral part of these financial statements.

CYREIT Variable Capital Investment Company PLC

Consolidated statement of changes in net assets for the period from 16 January 2018 (date of incorporation) to 31 December 2018

	Note	€
Transactions with owners		
Issue of management shares	17	125.000
Issue of investment shares	17	190.382.997
Net increase from share transactions		190.507.997
Decrease in net assets attributable to holders of investment shares		(1.142.035)
Net assets attributable to holders of investment shares as at 31 December 2018		189.365.962

The notes on pages 22 to 46 are an integral part of these financial statements.

CYREIT Variable Capital Investment Company PLC

Consolidated statement of cash flows for the period from 16 January 2018 (date of incorporation) to 31 December 2018

	Note	For the period from 16 January 2018 to 31 December 2018 €
Cash flows from operating activities		
Loss before income tax		**(891.417)**
Adjustments for:		
Interest income	9	**(214)**
Fair value losses on investment properties	10	**5.399.914**
Impairment on rental income receivable	10	**325.378**
Interest expense	12	**17.063**
		4.850.724
Changes in working capital:		
Trade and other receivables		**(938.447)**
Trade and other payables		**3.915.814**
Cash generated from operations		**7.828.091**
Income tax paid		**(249.114)**
Net cash generated from operating activities		**7.578.977**
Cash flows from investing activities		
Interest received		**214**
Net cash used in investing activities		**214**
Cash flows from financing activities		
Proceeds from issue of management shares	17	**125.000**
Interest paid		**(17.063)**
Net cash used in financing activities		**107.937**
Net increase in cash and cash equivalents		**7.687.128**
Cash and cash equivalents at end of period	16	**7.687.128**

Details of non-cash transactions are disclosed in Notes 15 and 17.

The notes on pages 22 to 46 are an integral part of these financial statements.

CYREIT Variable Capital Investment Company PLC

Notes to the financial statements

1 General information

Country of incorporation

The Fund was incorporated on 16 January 2018 and is domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 with registration number HE 378761. Its registered office is 51 Stasinou, Agia Paraskevi, CY-2002, Nicosia, Cyprus.

The Fund is authorized by the Cyprus Securities and Exchange Commission (the "CySEC") to operate as an Alternative Investment Fund with Limited Number of Persons with license number AIF23/2014, in accordance with the provisions of the previously applicable legislation regulating Alternative Investment Funds in Cyprus (Law 13(I)/2014, as subsequently amended), which has been repealed in its entirety by the Alternative Investment Funds in Cyprus Law ("AIF Law").

Principal activities and objectives

The Fund's principal activity is to own and lease commercial real estate properties (primarily retail, offices, logistics and hotels) in Cyprus.

The primary objective of the Fund is to generate and grow medium to long-term income through investments in a managed portfolio of real estate assets. The Fund's primary investment objective is to provide investors with risk-adjusted returns through investing in a diversified portfolio of real estate assets that the Board of Directors approves prescribed investment income profiles.

Investment Manager, Depository and Fund Administrator

The Fund is self-managed by its Board of Directors and operates without a Depository, in accordance with the provisions of the previously applicable legislation regulating Alternative Investment Funds in Cyprus (Law 131(I)/2014, as subsequently amended), and in specific sections 116(3)(a)(i) and 116(5)(c) respectively.

The Fund's Administrator is BOC Asset Management Limited. The Administrator performs certain administrative and accounting services for the Fund and is responsible for calculating the Net Asset Value (the "NAV"), maintaining financial books and records and providing services, in connection with the issuance, transfer and redemption of investment shares.

Group structure - subsidiary companies

The Fund holds 100% of the share capital of the following companies: Smooland Properties Ltd, Threefield Properties Ltd, Vameron Properties Ltd, Bascot Properties Ltd, Vanemar Properties Ltd, Consoly Properties Ltd, Alomnia Properties Ltd, Artozaco Properties Ltd, Elizano Properties Ltd, Letimo Properties Ltd, Allodica Properties Ltd, Wiceco Properties Ltd, Primaco Properties Ltd, Arleta Properties Ltd, Kuvena Properties Ltd, Nuca Properties Ltd, Orleania Properties Ltd, Ravenica Properties Ltd, Rouena Properties Ltd, Lancast Properties Ltd and Azemo Properties Ltd. These subsidiaries are incorporated in Cyprus and each holds an investment property. These subsidiaries were transferred to the Fund by Bank of Cyprus Public Company Limited in exchange for the issue of investment shares as disclosed in Note 17.

2 Basis of preparation

These consolidated financial statements of the Fund (the “financial statements”) 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.

As of the date of the authorization of the financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective for the current period and have been adopted by the EU through the endorsement procedure established by the European Commission.

The principal accounting policies applied in the preparation of these financial statements are set out below in Note 4. These policies have been consistently applied during the reporting period.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 7.

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 the current accounting period in developing its accounting policies which are disclosed in Note 4.

4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries (together the "Group" or the "Fund") as at and for the period ended 31 December 2018. The financial statements of the subsidiaries are prepared as of the same reporting date as that of the Fund, using consistent accounting policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

4 Summary of significant accounting policies (continued)

Basis of consolidation (continued)

- power over an investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including the contractual arrangement with the other vote holders, rights arising from other contractual arrangements, and the Group's voting and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts indicate that there are changes to any of the three elements of control.

Assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are included in the financial statements from the date of acquisition or up to the date of disposal, respectively. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Non-controlling interests represent the portion of profit or loss and net assets not held by the Group, directly or indirectly. The non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity.

All intra-group balances and transactions are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as a transaction between the owners, which affects equity. As a result, no goodwill arises nor any gain/loss is recognised in the consolidated statement of comprehensive income from such transactions.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets acquired, is recognised as goodwill on the consolidated balance sheet. Where the Group's share of the fair values of the identifiable net assets are greater than the cost of acquisition (i.e. negative goodwill), the difference is recognised directly in the consolidated statement of comprehensive income in the year of acquisition. Acquisition related costs are expensed as incurred and included in other operating expenses.

4 Summary of significant accounting policies (continued)

Business combinations (continued)

If the business combination is achieved in stages, the previously held equity interest is remeasured at fair value and any resulting gain or loss is recognised in the consolidated income statement.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Rental income

Rental income arising on operating leases is recognised on a straight-line basis over the lease term.

Interest income

Interest income on financial assets at amortised cost is calculated using the effective interest method is recognised in the statement of comprehensive income within “Other income”. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit – impaired financial assets – Stage 3 the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance), for Stage 1 and Stage 2 – gross amount of financial assets.

Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in Euro (€), which is the Fund's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

4 Summary of significant accounting policies (continued)

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country in which the Fund operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Company where there is an intention to settle the balances on a net basis.

Dividend distribution

Dividend distribution to the Fund's shareholders is recognised as a liability in the Fund's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Fund. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Fund's shareholders.

Investment property

Investment property, principally comprising office buildings, is held for long-term rental yields and is not occupied by the Fund. Investment property is carried at fair value, representing open market value determined annually by external valuers.

4 Summary of significant accounting policies (continued)

Financial assets – Classification

From 16 January 2018, the Company classifies its financial assets in the following measurement category:

- At amortised cost.

The classification and subsequent measurement of financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets - Recognition and derecognition

Financial assets are recognized when the entity becomes entitled to the financial asset based on contractual agreements.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Subsequent measurement of financial assets depends on the fund's business model for managing the asset and the cash flow characteristics of the asset. The Fund classifies its financial assets at amortised cost:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the income statement. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

4 Summary of significant accounting policies (continued)

Financial assets – impairment – credit loss allowance for ECL

The Fund assesses on a forward-looking basis the ECL for financial assets measured at amortised cost. The Fund measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "net impairment losses on financial and contract assets".

Financial assets measured at AC are presented in the balance sheet net of the allowance for ECL.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets the Fund applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Fund applies the general approach – three stage model for impairment. The Fund applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Fund identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Fund determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Fund exhausts all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Fund may write-off financial assets that are still subject to enforcement activity when the Fund seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

4 Summary of significant accounting policies (continued)

Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash at bank. Cash and cash equivalents are carried at amortised cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund or the counterparty.

Financial assets at amortised cost

Financial assets at amortised cost are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Trade receivables

Trade receivables are amounts due from tenants in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Fund holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period specified in the relevant lease agreement.

Financial liabilities – measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

4 Summary of significant accounting policies (continued)

Provisions

Provisions are recognised when the Fund 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 the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

5 New accounting pronouncements

At the date of approval of these financial statements a number of new standards and amendments to standards and interpretations are effective for future annual accounting periods and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Fund, except for the following set out below:

- **IFRS 16 "Leases"** (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Fund is currently assessing the impact of the new standard on its financial statements and as of the date of issue of these financial statements the impact of the adoption of this standard is not reasonably estimable.

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. An entity should determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. An entity should assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

5 New accounting pronouncements (continued)

- **IFRIC 23 "Uncertainty over Income Tax Treatments" (continued)**

  If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the effect of uncertainty will be reflected in determining the related taxable profit or loss, tax bases, unused tax losses, unused tax credits or tax rates, by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. An entity will reflect the effect of a change in facts and circumstances or of new information that affects the judgments or estimates required by the interpretation as a change in accounting estimate. Examples of changes in facts and circumstances or new information that can result in the reassessment of a judgment or estimate include, but are not limited to, examinations or actions by a taxation authority, changes in rules established by a taxation authority or the expiry of a taxation authority's right to examine or re-examine a tax treatment. The absence of agreement or disagreement by a taxation authority with a tax treatment, in isolation, is unlikely to constitute a change in facts and circumstances or new information that affects the judgments and estimates required by the Interpretation. The Fund is currently assessing the impact of the interpretation on its financial statements and as of the date of issue of these financial statements the impact of the interpretation is not reasonably estimable.

- **Annual Improvements to IFRSs 2015-2017 cycle** - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019)*. The narrow scope amendments impact four standards. IFRS 3 was clarified that an acquirer should remeasure its previously held interest in a joint operation when it obtains control of the business. Conversely, IFRS 11 now explicitly explains that the investor should not remeasure its previously held interest when it obtains joint control of a joint operation, similarly to the existing requirements when an associate becomes a joint venture and vice versa. The amended IAS 12 explains that an entity recognises all income tax consequences of dividends where it has recognised the transactions or events that generated the related distributable profits, eg in profit or loss or in other comprehensive income. It is now clear that this requirement applies in all circumstances as long as payments on financial instruments classified as equity are distributions of profits, and not only in cases when the tax consequences are a result of different tax rates for distributed and undistributed profits. The revised IAS 23 now includes explicit guidance that the borrowings obtained specifically for funding a specified asset are excluded from the pool of general borrowings costs eligible for capitalisation only until the specific asset is substantially complete. The Fund is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not reasonably estimable.

- **Amendments to References to the Conceptual Framework in IFRS Standards** (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020)*. The revised Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

5 New accounting pronouncements (continued)

- **Amendments to IAS 1 and IAS 8: Definition of materiality** (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).* The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The Fund is currently assessing the impact of the amendments on its financial statements and as of the date of issue of these financial statements the impact of the amendments is not reasonably estimable.

  ** Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.*

6 Financial risk management

(i) Financial risk factors

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk and liquidity risk.

The risk management function during the period was carried out under the fund hosting delegation services agreement with BOC Asset Management Ltd.

- **Market risk**

Price risk

The exposure to price risk arising from the prevailing general economic conditions and market sentiment, may affect the balance sheet and total return of the Fund. Immovable property and immovable property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty and are a matter of an independent valuers’ opinion. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where a sale occurs shortly after the valuation date.

The Risk Manager adheres to the investment established in the Prospectus, instrument of incorporation and in the rules governing the operation of the Fund.

6 Financial risk management (continued)

(i) Financial risk factors (continued)

- **Credit risk**

Credit risk is the risk of loss that the Fund would incur if the counterparty in a transaction failed to perform its contractual obligations. The Fund is exposed to credit risk from its operating activities primarily, leasing of investment properties.

To mitigate the risk, the chosen tenants are only parties whom management has assessed as financially healthy and stable. The Risk Manager assesses the credit quality of the counterparty, taking into account its financial position, past experience and other factors.

- **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty is meeting its obligations associated with financial liabilities.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year €
At 31 December 2018	
Trade and other payables	1.972.641
	1.972.641

(ii) Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of investment shares. The amount of net assets attributable to the holders of investment shares can change significantly as the Fund is subject to subscriptions and redemptions after a minimum holding period of five (5) years from the date of the incorporation of the Fund.

The Fund’s objective when managing capital is to safeguard the Fund’s ability to continue as a going concern in order to provide returns to shareholders and benefits to other stakeholders and maintain strong capital base to support the development of the investment activities of the Fund.

(iii) Fair value estimation

The table below analyses the Fund’s assets carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

6 Financial risk management (continued)

(iii) Fair value estimation (continued)

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Fund's assets that are measured at fair value at 31 December 2018.

	Level 3 €	Total €
31 December 2018		
Assets		
- Investment properties	183.054.844	183.054.844
Total	183.054.844	183.054.844

7 Critical accounting estimates and judgements

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.

(i) Critical accounting estimates and assumptions

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to 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.

- **Fair value of investment properties**

  The fair value of the investment properties is determined by using external management's experts. The experts exercise judgement for the fair value and apply estimates on deriving the appropriate fair value. The managements uses the average of the two valuations performed by each expert. Valuations are primarily based on income approach. Further details on the valuation methodologies, assumptions used and sensitivity analysis are disclosed in Note 15.

8 Revenue

	For the period from 16 January 2018 to 31 December 2018 €
Rental income	7.389.847

Analysis of revenue by category:

Investment properties rental income	6.417.347
Usage right income	972.500
	7.389.847

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	2018 €
No later than 1 year	8.440.760
Later than 1 year and no later than 5 years	25.051.738
Later than 5 years	10.089.144
Total	43.581.642

9 Other income

	For the period from 16 January 2018 to 31 December 2018 €
Interest income on bank balances	214
Other income	28.900
Total	29.114

10 Other losses

	For the period from 16 January 2018 to 31 December 2018 €
Fair value losses - Investment Properties (Note 15)	(5.399.914)
Impairment loss on rental income receivable	(325.378)
	(5.725.292)

11 Expenses by nature

	For the period from 16 January 2018 to 31 December 2018 €
Administration fees (Note 19(ii))	153.407
Asset management fees	442.126
Accounting and related services fees (Note 19(iii)	1.000.000
Director fees (Note 19(i))	46.000
Legal fees	23.800
Insurance expenses	139.635
Other operating expenses	485.382
Audit fees	105.000
Other professional fees	168.740
CySEC annual fees	3.933
Total operating expenses	**2.568.023**

On 20 March 2018, the Fund appointed BoC Asset Management Limited for the provision of the Fund administration services, including accounting and reporting services, net asset value ("NAV") calculation and other related services.

12 Finance costs

	For the period from 16 January 2018 to 31 December 2018 €
Interest expense	17.063

13 Income tax expense

	For the period from 16 January 2018 to 31 December 2018 €
Current tax:	
Corporation tax	75.284
Defence contribution	175.334
Income tax expense	250.618

13 Income tax expense (continued)

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

	For the period from 16 January 2018 to 31 December 2018 €
Loss before tax	(891.417)
Tax calculated at the applicable corporation tax rate of 12.5%	(111.427)
Tax effect of expenses and losses not deductible for tax purposes	893.510
Tax effect of income and losses not subject to tax	(706.799)
Defence tax contribution	175.334
Income tax charge	250.618

The Fund is subject to income tax on taxable profits at the rate of 12,5% .

As from tax year 2012 brought forward losses of only five years may be utilised.

From 1 January 2009 onwards, under certain conditions, interest may be exempt from income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to special contribution for defence at the rate of 15%; increased to 17% as from 31 August 2011; increased to 20% from 1 January 2012; reduced to 17% as from 1 January 2014. In certain cases dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

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

14 Financial instruments by category

	Financial assets at amortised cost €	Total €
31 December 2018		
Assets as per balance sheet		
Cash and cash equivalents	7.687.128	7.687.128

	Financial liabilities at amortised cost €	Total €
Liabilities as per balance sheet		
Trade and other payables	1.717.793	1.717.793

15 Investment property

	2018 €
At beginning of period	-
Additions	188.454.758
Fair value losses (Note 10)	(5.399.914)
At end of period	183.054.844

The additions related to contributions of investment property in exchange for the issue of investment shares during 2018 (Note 17).

The investment properties are valued semi-annually on 31 December at fair value comprising open-market value based on valuations, by independent, professionally qualified valuers.

Fair value is based in active market process, adjusted, if necessary, for any differences in the nature, location or condition of the specific asset. If the information is not available, the Fund uses alternative valuation methods such as recent prices or less active markets or discounted cash flow projections. Changes in fair values are recorded in profit or loss and are included in “other losses – net”.

The Fund's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no such transfers during the current year.

Valuation processes

The Fund's investment properties were valued at 31 December 2018 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

15 Investment property (continued)

Information about fair value measurement using significant unobservable inputs (Level 3) - 31 December 2018

Property	Valuation €	Valuation technique	Monthly market rent (average) €	Discount rate %	Capitalisation rate for terminal value/Exit yield %	Initial Yield %
Leroy Merlin - DIY	28.925.000	Income approach (yield)	111.111	N/A	5,25-5,75	4-4,75
Ellinas House	6.993.750	Income approach (yield) and income approach (DCF)	30.000	5-5,3	5-6	N/A
Ministry of Education	5.595.500	Income approach (yield) and income approach (DCF)	20.000	5	5-6	4,75
Unicars Service Centre	8.087.500	Income Approach (Yield) and Market Approach (Comparison)	35.000	N/A	4-6,25	N/A
Althea Hotel	22.635.094	Income approach (yield) and income approach (DCF)	116.667	4,5-6	6,5-7,5	N/A
Diapo Distribution Centre	4.556.250	Income Approach (Yield) and Market Approach (Comparison)	22.500	N/A	5,5-6,25	N/A
University of Nicosia	8.213.500	Income approach (yield) and income approach (DCF)	23.109	5-5,3	5,5-6,25	N/A
Gloria Jean's Coffees Ledras	1.273.750	Income approach (yield) and income approach (DCF)	6.750	5-6	5,5	5
Printco Strovolos	1.965.000	Income Approach (Yield) and Market Approach (Comparison)	7.159	N/A	4,5-6	4,5
Irida 3 Building	15.237.500	Income Approach (Yield) and Market Approach (Comparison)	66.649	N/A	5-6	4,5-6,25
Bank of Cyprus Kaimakli	4.967.500	Income approach (yield) and income approach (DCF)	15.200	5	6	5
N.P. Lanitis Building	3.100.000	Income Approach (Yield) and Market Approach (Comparison)	11.633	N/A	5	4,5
Shacolas Tower	13.575.000	Income Approach (Yield) and Market Approach (Comparison)	50.112	N/A	2,5-5,5	N/A
Superhome Centre - DIY	10.512.500	Income Approach (Yield) and Market Approach (Comparison)	49.501	N/A	5,75	4,75
D. Nicolaou Zakaki	14.910.000	Income Approach (Yield) and Market Approach (Comparison)	59.048	N/A	5-5,5	4-6
Athinodorou Business Centre Paphos	2.672.500	Income Approach (Yield) and Market Approach (Comparison)	4.200	N/A	4,5	N/A
Afentico Anna Commercial Building	2.814.000	Income Approach (Yield) and Market Approach (Comparison)	3.922	N/A	4,9-5,2	5
Orphanides Zakaki	7.817.500	Income Approach (Yield) and Market Approach (Comparison)	25.000	N/A	6	4,5-5
Shop Armenias Branch	625.000	Market approach (Comparison)	N/A	N/A	N/A	N/A

15 Investment property (continued)

TNT Express Warehouse	1.833.000	Income approach (yield) and income approach (DCF)	6.233	6	5-6	5
Debenhams Apollon	16.745.000	Income Approach (Yield) and Market Approach (Comparison)	94.915	6,5-7,5	6	6,5-7,5
Total	**183.054.844**					

Sensitivity of management's estimates – 31 December 2018

Property

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
		-10%	29.199.762	26.032.500	23.485.101
Leroy Merlin - DIY	**Annual rent**	**0%**	32.444.180	28.925.000	26.094.556
		10%	35.688.598	31.817.500	28.704.012

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
		-10%	6.971.560	6.294.375	5.737.099
Ellinas House	**Annual rent**	**0%**	7.746.178	6.993.750	6.374.555
		10%	8.520.796	7.693.125	7.012.010

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
		-10%	5.700.470	5.035.950	4.510.185
Ministry of Education	**Annual rent**	**0%**	6.333.856	5.595.500	5.011.316
		10%	6.967.242	6.155.050	5.512.448

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
		-10%	8.054.207	7.278.750	6.639.500
Unicars Service Centre	**Annual rent**	**0%**	8.949.119	8.087.500	7.377.223
		10%	9.844.031	8.869.250	8.114.945

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
		-10%	22.163.254	20.371.585	18.847.925
Althea Hotel	**Annual rent**	**0%**	24.625.837	22.635.094	20.942.139
		10%	27.088.421	24.898.603	23.036.353

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
		-10%	4.478.498	4.100.625	3.781.556
Diapo Distribution Centre	**Annual rent**	**0%**	4.976.109	4.556.250	4.201.729
		10%	5.473.720	5.011.875	4.621.902

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
		-10%	8.677.160	7.392.150	6.438.644
University of Nicosia	**Annual rent**	**0%**	9.641.289	8.213.500	7.514.049
		10%	10.605.417	9.034.850	7.869.454

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
		-10%	1.244.202	1.146.375	1.062.810
Gloria Jean's Coffees Ledras	**Annual rent**	**0%**	1.382.447	1.273.750	1.180.900
		10%	1.520.692	1.401.125	1.298.990

15 Investment property (continued)

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
Printco Strovolos	**Annual rent**	**-10%**	1.996.876	1.768.500	1.587.000
		0%	2.218.751	1.965.000	1.763.334
		10%	2.440.626	2.161.500	1.939.667

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
Irida 3 Building	**Annual rent**	**-10%**	15.197.255	13.746.150	12.548.007
		0%	16.885.839	15.237.500	13.942.230
		10%	18.574.423	16.800.850	15.336.454

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
Bank of Cyprus Kaimakli	**Annual rent**	**-10%**	5.175.501	4.470.750	3.934.929
		0%	5.750.556	4.967.500	4.372.143
		10%	6.325.612	5.464.250	4.809.357

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
N.P. Lanitis Building	**Annual rent**	**-10%**	3.138.480	2.790.000	2.511.173
		0%	3.487.200	3.100.000	2.790.192
		10%	3.835.920	3.410.000	3.069.211

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
Shacolas Tower	**Annual rent**	**-10%**	13.771.972	12.217.500	10.978.350
		0%	15.302.192	13.575.000	12.198.167
		10%	16.832.411	14.932.500	13.417.983

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
Superhome Centre - DIY	**Annual rent**	**-10%**	10.379.723	9.461.250	8.692.109
		0%	11.533.026	10.512.500	9.657.899
		10%	12.686.329	11.563.750	10.623.689

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
D. Nicolaou Zakaki	**Annual rent**	**-10%**	14.996.832	13.419.000	12.141.573
		0%	16.663.147	14.910.000	13.490.636
		10%	18.329.461	16.401.000	14.839.700

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
Athinodorou Business Centre Paphos	**Annual rent**	**-10%**	3.273.023	2.405.250	1.901.190
		0%	3.636.693	2.672.500	2.112.433
		10%	4.000.362	2.939.750	2.323.676

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
Afentico Anna Commercial Building	**Annual rent**	**-10%**	3.612.605	2.532.600	1.949.722
		0%	4.014.005	2.814.000	2.166.357
		10%	4.415.406	3.095.400	2.382.993

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
Orphanides Zakaki	**Annual rent**	**-10%**	8.089.781	7.035.750	6.224.721
		0%	8.988.646	7.817.500	6.916.356
		10%	9.887.510	8.599.250	7.607.992

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
TNT Express Warehouse	**Annual rent**	**-10%**	1.880.071	1.649.700	1.469.622
		0%	2.088.968	1.833.000	1.632.914
		10%	2.297.865	2.016.300	1.796.205

			All risks yield		
			-0,50%	**0,00%**	**0,50%**
Debenhams Apollon	**Annual rent**	**-10%**	16.276.074	15.070.500	14.031.204
		0%	18.084.527	16.745.000	15.590.227
		10%	19.892.979	18.419.500	17.149.250

15 Investment property (continued)

There are inter-relationships between unobservable inputs. Expected vacancy rates may impact the yield with higher vacancy rates resulting in higher yields.

Valuation techniques underlying management's estimation of fair value

Future rental cash inflows	based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
Discount rates	reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	based on current and expected future market conditions after expiry of any current lease
Maintenance costs	including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	based on actual location, size and quality of the properties and taking into account market data at the valuation date;
Terminal value	taking into account assumptions regarding maintenance costs, vacancy rates and market rents
All risks yield	The reciprocal of the Capitalisation Factor, usually expressed as a percentage.
Capitalisation factor	The multiple applied to a representative single period income to convert it into a capital value.

- Comparative method: This method considers the comparable data, for market price of property per square meter taking into account the physical and legal characteristics of the properties, the trends and the prospects of the property market and of the economy. The valuation technique uses significant unobservable inputs. Accordingly, the fair value was classified as Level 3.
- Investment method: This method is calculated using the rental income from the property to perpetuity. The significant unobservable input in this method is therefore the rental income, given that there is an assumption that it will continue at perpetuity. Accordingly, the fair value was classified as Level 3.
- Comparative method in conjunction with capitalization method: This method considers the comparable data, for market price of property per square meter taking into account the physical and legal characteristics of the properties, the trends and the prospects of the property market and of the economy. Moreover it considers the rental income at annuity and the reversion to vacant possession discounted at present value. The significant unobservable inputs in this method are therefore the price per square meter, the rental income and the discount rates. Accordingly, the fair value was classified as Level 3.

15 Investment property (continued)

The following amounts have been recognised in profit or loss:

	For the period from 16 January 2018 to 31 December 2018 €
Rental income (Note 8)	**7.389.847**
Direct operating expenses arising from investment properties that generate rental income	**(632.958)**
Revaluation loss (Note 10)	**(5.399.914)**

16 Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

	2018 €
Cash at bank	**7.687.128**

Cash and cash equivalents are denominated in the following currency:

	2018 €
Euro - functional and presentation currency	**7.687.128**

17 Share capital

Share Capital

The share structure of the Fund is divided in two types of shares, the Management Shares owned by the Fund's initiators and the Investment Shares owned by the Investors.

The share capital of the Fund is EUR 125.000 divided into 125 Management Shares of nominal value of EUR 1.000 each and 175.393 Investment Shares with no nominal value.

The issue of the investment shares was in exchange of the contribution of investment property into the Fund by Bank of Cyprus Public Company Limited in February 2018 (Note 15).

Management shares

The Management Shares are held as at 31 December 2018 by Bank of Cyprus Public Company Limited. As far as the issue relates to Management Shares, the CySEC's permission is required if such shares are to be issued, allotted or transferred to additional or alternative persons (not to current Management Share Shareholders).

17 Share capital (continued)

Management shares (continued)

The Management Shares have the following rights:

- As to voting: to receive notice of, attend and vote at any general meeting of the Fund, in particular but not limited to the following matters:

  (i) the appointment or removal of any Director;
  (ii) the winding up of the Fund; and
  (iii) any amendment to the Memorandum and Articles.

- As to redemption rights: not to be entitled for Redemption by the Fund.
- As to transferring rights: to be permitted transferring of ownership upon CySEC's permission.
- As to dividends: not to be entitled to participate in any profits and/or other distributions to be made by the Fund.

Investment shares

Investment Shares are held by the Fund's Investors. Bank of Cyprus Public Company Limited held 88% of the investment shares as at 31 December 2018.

The Investment Shares have no nominal value and the value of each share is being determined with reference to the net asset value of the Fund in accordance with the provisions of applicable law. The Investment Shares have the following characteristics:

- As to voting: shall not have the right to receive notice of, attend, or vote at any general meeting of the Fund.
- As to redemption rights: to be entitled for Redemption by the Fund, directly or indirectly by its assets.
- As to transferring rights: to be permitted transferring of ownership as long as it is ensured that the transferee qualifies as an Eligible Investor.
- As to dividends: will be entitled to participate in any dividend distributions and/or other distributions to be made out of the Fund's proceeds.

Winding-Up Rights

On a winding up, the assets available for distribution after the deduction of any expenses and/or liabilities shall be applied to the holders of Investment Shares in proportion to the number of Investment Shares held by them. The holders of the Managements Shares will have no right to receive any distribution on the Fund's winding up.

- Firstly, in the payment to the holders of the Investment Shares sum in the currency in which that Class of Investment Shares is designated or in any other currency selected by the liquidator as nearly as possible equal (at a rate of exchange determined by the liquidator) to the NAV of the Investment Shares held by such holders respectively as at the date of commencement to wind up provided that there are sufficient assets available to enable such payment to be made.

17 Share capital (continued)

Winding-Up Rights (continued)

- Secondly, in the payment to the holders of the Management Shares of sums up to the nominal amount paid thereon out of the assets of the Fund not calculated for the determination of the NAV. In the event that there are insufficient assets aforesaid to enable such payment to be made, no recourse shall be held to the assets of the Fund.
- Thirdly, in the payment to the holders of each class of Investment Shares of any asset remaining in the Fund of any balance being made in proportion to the number of Investment Shares held.

18 Trade and other payables

	2018 €
Trade and other payables	1.717.793
Rent guarantee deposits	254.848
Trade and other payables	**1.972.641**

The fair value of trade and other payables which are due within one year approximates their carrying amount at the balance sheet date.

19 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. As at 31 December 2018 Bank of Cyprus Public Company Limited held 88% of the investment shares and 100% of management shares and was the controlling and ultimate controlling party of the Fund as at 31 December 2018. Changes in the Fund's controlling shareholder during the post balance sheet period are disclosed in Note 20.

The following transactions were carried out with related parties:

(i) Directors' remuneration

The total remuneration of the Directors was as follows:

	For the period from 16 January 2018 to 31 December 2018 €
Fees (Note 11)	46.000

19 Related party transactions (continued)

(ii) Administration fees

	2018
	€
Administration fees - Bank of Cyprus Asset Management Limited (Note 11)	153.407
	153.407

(iii) Accounted and related services fees

	2018
	€
Accounting and related services fees - Bank of Cyprus Asset Management Limited (Note 11)	1.000.000
	1.000.000

On 20 March 2018, the Fund appointed BoC Asset Management Limited for the provision of the Fund administration services, including accounting and reporting services, net asset value (“NAV”) calculation and additional services.

(iv) Cash at bank

Cash at bank amounting to €7.687.128 as at 31 December 2018 was held with Bank of Cyprus Public Company Limited.

20 Events after the balance sheet date

On 25 June 2019 an agreement was completed between the NBG Pangaea REIC and Bank of Cyprus Public Company Limited for the acquisition by NBG Pangaea REIC of 100% of the management shares and 88,2% of the investment shares of the Fund.

Independent Auditor's Report on pages 15 to 17.