

QUADRATIX LIMITED

FINANCIAL STATEMENTS

31 December 2020

May 2021

QUADRATIX LIMITED

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QUADRATIX LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Stelios Loizou
Eleni Ierodiakonou
Themis Themistocleous
Aristotelis Karytinis
Thiresia Messari

Company Secretary:

Calmco Secretarial Ltd

Independent Auditors:

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Registered office:

21 Demostheni Severi
ANNA COURT, Floor 5
CY 1080, Nicosia
Cyprus

Registration number:

HE350057



Independent Auditor's Report

To the Members of Quadratix Limited

Report on the Audit of the Financial statements

We have audited the accompanying financial statements Quadratix Limited (the "Company"), which are presented in pages 7 to 26 and comprise the statement of financial position as at 31 December 2020, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Quadratix Limited as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Responsibilities of the Board of Directors for the Financial Statements

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

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

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

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PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No. 143594). Its registered office is at 3 Themistocles Dervis Street, CY-1066, Nicosia. A list of the company's directors, including for individuals the present and former (if any) name and surname and nationality, if not Cypriot and for legal entities the corporate name, is kept by the Secretary of the company at its registered office. PwC refers to the Cyprus member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see www.pwc.com/structure for further details.



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Other matter

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

A handwritten signature in blue ink that reads 'George C. Kazamias' followed by a long, horizontal, slightly curved line.

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

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Nicosia, 26 May 2021

QUADRATIX LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2020

| | Note | 2020 € | 2019 € |
|--|------|-------------------------|-------------------------|
| Revenue | 7 | 1,583,400 | 1,577,225 |
| Direct property related expenses | 8 | (119,634) | (49,384) |
| Other expenses | 9 | (45,894) | (35,719) |
| Net impairment loss on financial assets | | | (1) |
| Net gain from the fair value adjustment of investment property | 13 | 237,000 | 972,000 |
| Other income | | 500 | 912 |
| Operating profit | | 1,655,372 | 2,465,033 |
| Finance income | 10 | 134 | 2,012 |
| Finance costs | 10 | (542,365) | (568,470) |
| Profit before tax | | 1,113,141 | 1,898,575 |
| Tax | 11 | (61,289) | (239,883) |
| Net profit for the year | | 1,051,852 | 1,658,692 |
| Other comprehensive income | | | |
| Total comprehensive income for the year | | <u>1,051,852</u> | <u>1,658,692</u> |

The notes on pages 11 to 26 form an integral part of these financial statements

QUADRATIX LIMITED

STATEMENT OF FINANCIAL POSITION

as of 31 December 2020

| | Note | 2020 € | 2019 € |
|-------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment property | 13 | 27,012,000 | 26,775,000 |
| Pledged bank deposits | 14 | <u>272,107</u> | <u>272,013</u> |
| | | <u>27,284,107</u> | <u>27,047,013</u> |
| Current assets | | | |
| Trade and other receivables | 15 | 132,536 | 132,518 |
| Current tax assets | 21 | 13,947 | 2,806 |
| Cash at bank | 16 | <u>229,738</u> | <u>473,385</u> |
| | | <u>376,221</u> | <u>608,709</u> |
| Total assets | | <u>27,660,328</u> | <u>27,655,722</u> |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 17 | 8,275 | 8,275 |
| Share premium | 17 | 10,783,610 | 10,783,610 |
| Retained earnings | | <u>3,707,624</u> | <u>3,055,772</u> |
| Total equity | | <u>14,499,509</u> | <u>13,847,657</u> |
| Non-current liabilities | | | |
| Borrowings | 18 | 11,881,537 | 12,572,929 |
| Deferred tax liabilities | 19 | <u>579,800</u> | <u>532,400</u> |
| | | <u>12,461,337</u> | <u>13,105,329</u> |
| Current liabilities | | | |
| Trade and other payables | 20 | 8,090 | 11,505 |
| Borrowings | 18 | <u>691,392</u> | <u>691,231</u> |
| | | <u>699,482</u> | <u>702,736</u> |
| Total liabilities | | <u>13,160,819</u> | <u>13,808,065</u> |
| Total equity and liabilities | | <u>27,660,328</u> | <u>27,655,722</u> |

On 26 of May 2021 the Board of Directors of Quadratix Limited authorised these financial statements for issue.

.....
Thiresia Messari
Director

.....
Eleni Terodiakonou
Director

QUADRATIX LIMITED

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2020

| | Note | Share capital € | Share premium € | Retained earnings € | Total € |
|--|------|--------------------|--------------------|------------------------|-------------------|
| Balance at 1 January 2019 | | 8,275 | 10,783,610 | 2,397,080 | 13,188,965 |
| Comprehensive income | | | | | |
| Net profit for the year | | | | 1,658,692 | 1,658,692 |
| Transactions with owners | | | | | |
| Dividend relating to 2018 paid in 2019 | 12 | - | - | (1,000,000) | (1,000,000) |
| Balance at 31 December 2019/ 1 January 2020 | | 8,275 | 10,783,610 | 3,055,772 | 13,847,657 |
| Comprehensive income | | | | | |
| Net profit for the year | | | - | 1,051,852 | 1,051,852 |
| Transactions with owners | | | | | |
| Dividend relating to 2019 paid in 2020 | 12 | - | - | (400,000) | (400,000) |
| Balance at 31 December 2020 | | 8,275 | 10,783,610 | 3,707,624 | 14,499,509 |

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

The notes on pages 11 to 26 form an integral part of these financial statements

QUADRATIX LIMITED

CASH FLOW STATEMENT

for the year ended 31 December 2020

| | Note | 2020 € | 2019 € |
|--|------|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 1,113,141 | 1,898,575 |
| Adjustments for: | | | |
| Net gain from the fair value adjustment of investment property | 13 | (237,000) | (972,000) |
| Net impairment loss on financial assets | | - | 1 |
| Interest income | 10 | (134) | (2,012) |
| Finance costs | 10 | 542,365 | 568,470 |
| | | <u>1,418,372</u> | <u>1,493,034</u> |
| Changes in working capital: | | | |
| Increase in trade and other receivables | | (112) | (3,131) |
| Decrease in trade and other payables | | (3,415) | (628) |
| Cash generated from operations | | <u>1,414,845</u> | <u>1,489,275</u> |
| Interest paid | | (483,596) | (511,293) |
| Tax paid | | (25,030) | (45,484) |
| Net cash generated from operating activities | | <u>906,219</u> | <u>932,498</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 134 | 2,012 |
| Net cash generated from investing activities | | <u>134</u> | <u>2,012</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayments of borrowings | | (750,000) | (750,000) |
| Dividends paid | 12 | (400,000) | (1,000,000) |
| Net cash used in financing activities | | <u>(1,150,000)</u> | <u>(1,750,000)</u> |
| Net decrease in cash and cash equivalents | | <u>(243,647)</u> | <u>(815,490)</u> |
| Cash and cash equivalents at beginning of the year | | 473,385 | 1,288,875 |
| Cash and cash equivalents at end of the year | 16 | <u>229,738</u> | <u>473,385</u> |

The notes on pages 11 to 26 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1. Incorporation and principal activities

Country of incorporation

The Company Quadratix Limited (the "Company") was incorporated in Cyprus on 11 December 2015 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 21 Demostheni Severi, ANNA COURT, Floor 5, CY 1080, Nicosia, Cyprus.

Principal activities

In accordance with the Company's Article of Association, its purpose is to operate in the real estate investment market under the provisions of Greek Law 2778/1999 for Real Estate Investment Companies (REICs), as in force.

The Company is a member of the Group of Prodea Investments incorporated in Greece, which on 31 December 2020 held 100% of the Company's share capital. The Company's financial statements are consolidated in the financial statements of the above Group by the full consolidation method.

The Company did not employ any personnel as of December 31, 2020.

These financial statements are available at the Company's Registered Office and on the website address of the parent company, Prodea Investments (<http://www.prodea.gr>)

2. Basis of preparation

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

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 as of 1 January 2020 have been adopted by the EU through the endorsement procedure established by the European Commission.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. 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 6.

In the first quarter of 2020 the World Health Organization declared the outbreak of the Coronavirus pandemic (COVID-19). The COVID-19 pandemic and the subsequent lockdowns have affected the economic activity globally. The Government has adopted measures with gradually lead to a lock-down of businesses and activities in the country and announced measures to sustain the local economy.

Covid-19 does not have an immediate material impact on the business operations as the Company's property is leased to a creditworthy tenant whose industry has not been adversely affected by COVID-19 outbreak and the Financial statements are prepared on the going concern basis. Management will continue to monitor and assess the situation closely.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2020. This adoption did not have a material effect on the accounting policies of the Company.

4. Significant accounting policies

Revenue

Recognition and measurement

Revenues earned by the Company are recognized on the following bases:

- **Rental income**

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

Finance costs

Interest expense for borrowings is recognized within "Finance costs" in the statement of profit or loss and other comprehensive income using the effective interest rate method. Exempt are borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or the financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and other premiums or discounts.

Foreign currency translation

(1) Functional and presentation currency

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

(2) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

Tax

Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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 Company 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.

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

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realized 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 tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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 taxes levied by the same tax authority on the Company where there is an intention to settle the balances on a net basis.

Dividends

Interim dividends are recognized in equity in the year in which they are approved by the Company's Directors. Dividend distribution to the Company's shareholders is recognized in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Investment properties

Investment property, principally comprising shops and office buildings, is held for long-term rental yields and/or for capital appreciation and is not occupied by the Company. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in profit or loss and are included in other operating income. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the continued use of the asset. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial instruments

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

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss. The Company assesses on a forward-looking basis the expected credit losses (ECL) for trade and other receivables. ECL represent the difference between contractual cash flows and those that the Company expects to receive.

ECL are recognized on the following basis:

- 12-month ECL are recognized from initial recognition, reflecting the portion of lifetime cash shortfalls that would result if a default occurs in the 12 months after the reporting date, weighted by the risk of a default occurring. Receivables in this category are referred to as instruments in stage 1.
- Lifetime ECL are recognized if a significant increase in credit risk (SICR) is detected subsequent to the instrument's initial recognition, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of a financial instrument, weighted by the risk of a default occurring. Receivables in this category are referred to as instruments in stage 2.

The Company's receivables (including those arising from operating leases) are short term in nature and in general are due in a period less than 12-months, hence ECL are determined for this shorter period where applicable, irrespective of their classification in stage 1 or 2.

- Lifetime ECL are always recognized for credit-impaired trade and other receivables, referred to as instruments in stage 3. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. Restricted cash in the context of loan agreements are not treated as cash and cash equivalents and are presented in non-current assets.

Borrowings

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

Borrowings are derecognized from the statement of financial position when the obligation specified in the contract is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires). The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

An exchange between the Company and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners and is recognised directly to equity.

Borrowing costs are interest and other costs that the Company incurs in connection with the borrowing of funds, including interest on borrowings, amortisation of discounts or premium relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, finance lease charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, being an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset, when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably.

Trade and other payable

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

Financial liabilities

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. 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 Company or the counterparty.

Share capital

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

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and 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 pre tax obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Company becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Company are not provided in advance.

5. Financial risk management

Financial risk factors

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

5.1 Interest rate risk

The Company's interest rate risk arises from interest-bearing assets and long term borrowings. Interest-bearing assets and borrowings at variable rates expose the Company to cash flow interest rate risk. Interest bearing assets and borrowings issued at fixed rates expose the Company to fair value interest rate risk.

As at December 31, 2020, if interest rate on Euro-denominated interest bearing borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been lower by €18,530/0 (2019: €26,166/€0), as a result of higher/lower interest expense on floating rate borrowings.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

5.2 Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company is exposed to credit risk primarily with respect to cash balances held as at the reporting date. The Company monitors on a continuous basis the ageing profile of its receivables.

5.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Company's liquidity is monitored by the Management on a regular basis. The maturity analysis of financial liabilities for the Company as at December 31, 2020 and 2019 is as follows:

| | Less than 1 month | 1 - 3 months | 3 - 12 months | 12 months - 2 years | 2 - 5 years | More than 5 years | Total |
|--|-------------------------|-----------------|------------------|---------------------------|-------------------|-------------------------|-------------------|
| December 31, 2020 Financial Liabilities | € | € | € | € | € | € | € |
| Borrowings | 102,219 | 200,031 | 902,800 | 1,177,675 | 12,117,194 | - | 14,499,919 |
| Trade and other payables | 845 | 535 | 6,710 | - | - | - | 8,090 |
| Total | 103,064 | 200,566 | 909,510 | 1,177,675 | 12,117,194 | - | 14,508,009 |

| | Less than 1 month | 1 - 3 months | 3 - 12 months | 12 months - 2 years | 2 - 5 years | More than 5 years | Total |
|--|-------------------------|-----------------|------------------|---------------------------|------------------|----------------------|-------------------|
| December 31, 2019 Financial Liabilities | € | € | € | € | € | € | € |
| Borrowings | 104,544 | 205,806 | 923,425 | 1,205,050 | 3,451,950 | 9,842,919 | 15,733,694 |
| Trade and other payables | 845 | 5,410 | 5,250 | - | - | - | 11,505 |
| Total | 105,389 | 211,216 | 928,675 | 1,205,050 | 3,451,950 | 9,842,919 | 15,745,199 |

The amounts disclosed in the above table are the contractual undiscounted cash flows. Given that the amount of contractual undiscounted cash flows relates to loans of variable and not fixed interest rates, the amount presented is determined by reference to the conditions existing at reporting date – that is, the actual spot interest rates effective as of December 31, 2020, were used for determining the related undiscounted cash flows.

5.4 Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Company monitors the capital structure on the basis of gearing ratio (or debt ratio). This ratio is calculated as total borrowings divided by total assets, as depicted in the statement of financial position. The goal of the Company's Management is to optimize the Company's capital structure through the effective use of debt financing.

The table below presents the gearing ratio (or debt ratio) as at December 31, 2020 and 2019:

| | 2020 € | 2019 € |
|----------------------|--------------|--------------|
| Borrowings | 12,572,929 | 13,264,160 |
| Total assets | 27,660,328 | 27,655,722 |
| Gearing ratio | 45.5% | 48.0% |

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Fair value estimation

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

Fair value measurements recognized in statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

Disclosures relating to fair value hierarchy of non-financial assets measured at fair value are disclosed in Note 13.

Financial instruments not carried at fair value

The table below analyses the financial liabilities of the Company not carried at fair value as at December 31, 2020 and 2019:

| December 31, 2020 | | Valuation hierarchy | | |
|-------------------|---------|---------------------|------------|------------|
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Borrowings | – | – | 12,572,929 | 12,572,929 |

| December 31, 2019 | | Valuation hierarchy | | |
|-------------------|---------|---------------------|------------|------------|
| Liabilities | Level 1 | Level 2 | Level 3 | Total |
| Borrowings | – | – | 13,264,160 | 13,264,160 |

6. Critical accounting estimates and judgments

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

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

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

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• Income taxes

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

Critical judgements in applying the Company's accounting policies

• Fair value of investment property

The fair value of investment property is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the investment property has been estimated based on the fair value of their individual assets.

• Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 5, Credit risk section.

7. Revenue

| | 2020 | 2019 |
|---------------|------------------|------------------|
| | € | € |
| Rental income | <u>1,583,400</u> | 1,577,225 |
| | <u>1,583,400</u> | <u>1,577,225</u> |

There were no contingent rental arrangements under the existing operating leases. Rental income is not subject to seasonality.

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | € | € |
| No later than 1 year | 1,586,963 | 1,586,963 |
| Later than 1 year and no later than 5 years | 6,395,603 | 6,395,603 |
| Later than 5 years | <u>10,147,354</u> | <u>11,788,707</u> |
| Total | <u>18,129,920</u> | <u>19,771,273</u> |

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8. Direct property related expenses

| | 2020 | 2019 |
|---------------------------------------|----------------|---------------|
| | € | € |
| Insurance | 13,760 | 13,719 |
| Defence contribution on rental income | 35,627 | 35,488 |
| Municipality expenses | 100 | 177 |
| Immovable property tax | 514 | - |
| Valuation expenses | 2,656 | - |
| Advisory services | 66,977 | - |
| Total | 119,634 | 49,384 |

For the related parties transactions included in the lines of direct property related expenses refer to Note 22.

The category Defence contribution on rent income refers to the tax which is calculated on the 75% of the gross rents receivable which are subject to defense contribution at the rate of 3%.

9. Other expenses

| | 2020 | 2019 |
|-------------------------|---------------|---------------|
| | € | € |
| Auditors' remuneration | 6,000 | 5,000 |
| Accounting fees | 3,240 | 3,105 |
| Irrecoverable VAT | 18,184 | 5,333 |
| Stationery and printing | 600 | 280 |
| Other professional fees | 17,870 | 22,001 |
| Total | 45,894 | 35,719 |

10. Finance income and Finance costs

| | 2020 | 2019 |
|-------------------------|------------------|------------------|
| | € | € |
| Interest income | 134 | 2,012 |
| Finance income | 134 | 2,012 |
| Interest expense | (482,457) | (508,369) |
| Sundry finance expenses | (59,908) | (60,101) |
| Finance costs | (542,365) | (568,470) |

11. Tax

11.1 Tax recognised in profit or loss

| | 2020 | 2019 |
|---------------------------------|---------------|----------------|
| | € | € |
| Corporation tax - current year | 25,030 | 39,630 |
| Corporation tax - prior years | (11,141) | 5,852 |
| Deferred tax - charge (Note 19) | 47,400 | 194,401 |
| Charge for the year | 61,289 | 239,883 |

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

| | 2020 € | 2019 € |
|--|----------------------|-----------------------|
| Profit before tax | <u>1,113,141</u> | <u>1,898,575</u> |
| Tax calculated at the applicable tax rates | 139,143 | 237,322 |
| Tax effect of expenses not deductible for tax purposes | 4,523 | 5,668 |
| Tax effect of allowances and income not subject to tax | (71,236) | (8,959) |
| Prior year tax | <u>(11,141)</u> | <u>5,852</u> |
| Tax charge | <u>61,289</u> | <u>239,883</u> |

The corporation tax rate is 12,5%. In addition, 75% of the gross rents receivable are subject to defense contribution at the rate of 3%. Defense contribution on rental income is included within direct property related expenses. Corporation tax rate for capital appreciation is 20%.

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

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

12. Dividends

| | 2020 € | 2019 € |
|-----------------------|-----------------------|-------------------------|
| Dividend distribution | <u>400,000</u> | <u>1,000,000</u> |
| | <u>400,000</u> | <u>1,000,000</u> |

Dividend distribution for 2019 was approved by the Annual General Meeting of the Company dated 20.07.2020. Dividends are subject to a deduction of special contribution for defense at 17% for individual shareholders that are both Cyprus tax resident and Cyprus domiciled.

13. Investment properties

| | 2020 € | 2019 € |
|-------------------------------|--------------------------|--------------------------|
| Balance at 1 January | 26,775,000 | 25,803,000 |
| Fair value gain | <u>237,000</u> | <u>972,000</u> |
| Balance at 31 December | <u>27,012,000</u> | <u>26,775,000</u> |

The Company's borrowings which are secured on the investment property are stated in Note 18.

Fair value hierarchy

The Company's investment property is measured at fair value. The table below presents the fair value hierarchy and movement of investment property per business segment for 2020:

| Country | Cyprus | | | |
|--|--------------------------|-------------------------|--------------------------|--------------------------|
| | Retail | Offices | Total 2020 | Total 2019 |
| Fair value measurement level | 3 | 3 | 3 | 3 |
| Fair value at the beginning of the period | 24,627,283 | 2,147,717 | 26,775,000 | 25,803,000 |
| Additions: | | | | |
| Net gain from the fair value adjustment of investment property | 449,149 | (212,149) | 237,000 | 972,000 |
| Fair value at the end of the period | <u>25,076,432</u> | <u>1,935,568</u> | <u>27,012,000</u> | <u>26,775,000</u> |

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The Company'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. During the period, there were no transfers into and out of Level 3.

The property valuations are supported by appraisals performed by independent professionally qualified valuers for December 31 each year. The professionally qualified valuers hold a recognized relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. The investment property valuation for the consideration of the fair value is performed taking into consideration the high and best use of each property given the legal status, technical characteristics and the allowed uses for each property. The valuations are based on at least two methods.

Information about fair value measurements of investment property per business segment for 31.12.2020 and 31.12.2019:

31.12.2020

| Country | Segment | Fair Value | Valuation Method | Monthly passing rent | Discount rate (%) | Capitalization rate (%) |
|---------|---------|------------|---------------------------------|----------------------|-------------------|-------------------------|
| Cyprus | Retail | 25,076,432 | 20% market approach and 80% DCF | 122,495 | 7.42% | 6.25% |
| Cyprus | Offices | 1,935,568 | 20% market approach and 80% DCF | 9,455 | 7.42% | 6.25% |

31.12.2019

| Country | Segment | Fair Value | Valuation Method | Monthly passing rent | Discount rate (%) | Capitalization rate (%) |
|---------|---------|------------|---------------------------------|----------------------|-------------------|-------------------------|
| Cyprus | Retail | 24,627,283 | 15% market approach and 85% DCF | 123,243 | 7.90% | 6.25% |
| Cyprus | Offices | 2,147,717 | 15% market approach and 85% DCF | 8,192 | 7.60% | 6.25% |

The last valuation of the Company's properties was performed at December 31, 2020 by independent valuers. For the Company's portfolio the market approach and the discounted cash flow (DCF) method were used.

The abovementioned valuation had as a result a net gain from fair value adjustment of investment property amounting to €237,000 (31.12.2019: gain of €972,000).

Were the discount rate as at December 31, 2020, used in the DCF analysis, to increase or decrease by +/-10% from Management's estimate, the carrying amount of investment property would be lower by €1,584,000 or higher by €1,772,000, respectively (December 31, 2019: lower by €1,948,000 or higher by €2,241,000).

Were the capitalization rate as at December 31, 2020, used in the DCF analysis, to increase or decrease by +/-10% from Management's estimate, the carrying amount of investment property would be lower by €488,000 or higher by €592,000 respectively (December 31, 2019: lower by €503,000 or higher by €614,000).

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14. Pledged bank deposits

| | 2020 | 2019 |
|-------------------------------|-----------------------|-----------------------|
| | € | € |
| Balance at 31 December | <u>272,107</u> | <u>272,013</u> |

As at 31 December 2020, the pledged bank deposits include bank deposits of €272,107, which are pledged in the context of the loan agreement until its maturity (31 December 2019: €272,013).

15. Trade and other receivables

| | 2020 | 2019 |
|--|-----------------------|-----------------------|
| | € | € |
| Trade receivables | 128,981 | 128,981 |
| Less: credit loss on trade receivables | <u>(69)</u> | <u>(69)</u> |
| Trade receivables - net | 128,912 | 128,912 |
| Prepayments | <u>3,624</u> | <u>3,606</u> |
| | <u>132,536</u> | <u>132,518</u> |

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

16. Cash at bank

Cash balances are analysed as follows:

| | 2020 | 2019 |
|--------------|-----------------------|-----------------------|
| | € | € |
| Cash at bank | <u>229,738</u> | 473,385 |
| | <u>229,738</u> | <u>473,385</u> |

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 5 of the financial statements.

17. Share capital

| | 2020 | 2020 | 2020 | 2019 | 2019 | 2019 |
|-------------------------------|----------------------|----------------------|--------------------------|------------------|-----------------|-------------------|
| | Number of shares | Share capital € | Share premium € | Number of shares | Share capital € | Share premium € |
| Authorised | | | | | | |
| Ordinary shares of €1 each | <u>10,000</u> | <u>10,000</u> | - | <u>10,000</u> | <u>10,000</u> | - |
| | | € | € | | € | € |
| Issued and fully paid | | | | | | |
| Balance at 1 January | <u>8,275</u> | <u>8,275</u> | <u>10,783,610</u> | <u>8,275</u> | <u>8,275</u> | <u>10,783,610</u> |
| Balance at 31 December | <u>8,275</u> | <u>8,275</u> | <u>10,783,610</u> | <u>8,275</u> | <u>8,275</u> | <u>10,783,610</u> |

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18. Borrowings

| | 2020 € | 2019 € |
|-------------------------------|-------------------|-------------------|
| Current borrowings | | |
| Bank loans | 691,392 | 691,231 |
| Non-current borrowings | | |
| Bank loans | 11,881,537 | 12,572,929 |
| Total | <u>12,572,929</u> | <u>13,264,160</u> |

The Company's borrowings carry interest at variable interest rates. The Company is exposed to fluctuations in interest rates prevailing in the market and which affect its financial position, its income statement and its cash flow. Cost of debt may increase or decrease as a result of such fluctuations.

On January 31, 2018 the Company signed a loan agreement with a Cyprus banking institution for a facility amount of €15,000,000, bearing interest of 6-month Euribor plus a margin of 3.65%. The purpose of the facility is the refinancing of the property owned by the Company and has seven years maturity.

The Company's borrowings are denominated in €.

Maturity of the Company's borrowings:

| | 2020 € | 2019 € |
|-------------------|-------------------|-------------------|
| Up to 1 year | 691,392 | 691,231 |
| From 1 to 5 years | 11,881,537 | 2,765,407 |
| More than 5 years | - | 9,807,522 |
| | <u>12,572,929</u> | <u>13,264,160</u> |

The property owned by the Company is burdened with mortgage in favour of the lender for an amount of €16,500,000 and with floating charge of an amount of €15,000,000. In addition, all rights of Quadratix Ltd arising from the lease agreement with the property tenant have been assigned in favour of the lender. It is noted that the parent company, Prodea Investments, has given corporate guarantee up to the amount of €5,000,000 for liabilities of the Company under the abovementioned loan agreement. Management does not expect to incur any financial losses by this loan. The outstanding nominal balance of the borrowings as of December 31, 2020 amounted to €12,812,500 while the fair value of the property as of December 31, 2020 amounted to €27,012,000.

19. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 11).

The movement on the deferred taxation account is as follows:

| | 2020 € | 2019 € |
|--|----------------|----------------|
| Balance at 1 January | 532,400 | 338,000 |
| Statement of profit or loss and other comprehensive income (Note 11) | 47,400 | 194,400 |
| Balance at 31 December | <u>579,800</u> | <u>532,400</u> |

The temporary tax difference for the years 2020 and 2019 relates to the fair value adjustment of investment property.

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20. Trade and other payables

| | 2020 | 2019 |
|-----------------|--------------|---------------|
| | € | € |
| Accruals | 6,710 | 5,960 |
| Other creditors | 1,380 | 5,545 |
| | <u>8,090</u> | <u>11,505</u> |

21. Current tax assets

| | 2020 | 2019 |
|----------------------------|---------------|--------------|
| | € | € |
| Corporation tax refundable | 13,947 | 2,806 |
| | <u>13,947</u> | <u>2,806</u> |

22. Related party transactions

The Company is controlled by Prodea Investments, incorporated in Greece, which owns 100% of the Company's shares. Prodea Investments is listed on the Athens Stock Exchange. Prodea is controlled by Invel Real Estate (Netherlands) II B.V. from 23.05.2019.

National Bank of Greece (NBG) controlled Prodea Investments, based on an agreement signed between the shareholders, NBG and Invel Real Estate (Netherlands) II B.V.. More specifically, according to the Shareholders' agreement, NBG appointed the majority of the members of the Board of Directors and the Investment Committee and guarantees were provided to NBG for certain other contractual rights. On March 31, 2019 NBG announced that it received from Invel Real Estate (Netherlands) II B.V. on March 29, 2019 a Call Option Exercise Notice to acquire NBG's shareholding participation in Prodea Investments, pursuant to the relevant terms of the Shareholders Agreement. The sale and purchase transaction of NBG's shareholding was concluded in May 23, 2019.

National Bank of Greece and its subsidiaries are considered as related parties until 22.05.2019, as the sale of the Prodea Investment's shares held by NBG was concluded on 23.05.2019.

The following transactions were carried out with related parties:

22.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

| | 2020 | 2019 |
|-------------------------|--------------|--------------|
| | € | € |
| Directors' remuneration | 2,400 | 2,400 |
| | <u>2,400</u> | <u>2,400</u> |

22.2 Finance costs

| | 2020 | 2019 |
|---|----------|------------|
| | € | € |
| National Bank of Greece (Cyprus), subsidiary of NBG | - | 410 |
| | <u>-</u> | <u>410</u> |

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22.3 Direct property related expenses

| | 2020 | 2019 |
|--|---------------|--------------|
| | € | € |
| Invel Real Estate Management Cyprus Ltd- advisory services | 66,977 | - |
| Ethniki Insurance Cyprus Ltd - insurance | - | 5,337 |
| | <u>66,977</u> | <u>5,337</u> |

23. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2020 and 31 December 2019.

24. Commitments

The Company had no capital or other commitments as at 31 December 2020 and 31 December 2019, except of those already disclosed to Note 18 Borrowings.

25. Significant events after the end of the financial year

Depending on the duration of the Coronavirus disease (COVID-19) pandemic, and continued negative impact on economic activity, the Company might experience negative results, and liquidity restraints in 2021. The exact impact on the Company's activities in 2021 and thereafter cannot be predicted, however any impact is not expected to be significant given that the Company's Investment Property is leased to a creditworthy tenant whose industry has not been adversely affected by COVID-19 outbreak.

There are no other significant events subsequent to the date of the Financial Statements relating to the Company for which disclosure is required by the IFRSs as endorsed by the EU.

Independent auditor's report on pages 4 to 6