

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

FINANCIAL STATEMENTS

31 December 2022

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CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

BOARD OF DIRECTORS AND OTHER CORPORATE INFORMATION

Board of Directors:	Constantinos Katsaros Spyridon Makridakis Aristotelis Karytinis
Company Secretary:	Cyproservus Co. Limited
Independent Auditors:	Ernst & Young Cyprus Limited Certified Public Accountants and Registered Auditors 27 Spyrou Kyprianou Ave. 4003 Mesa Yitonia Limassol, Cyprus
Registered office:	17, Elenis Palaologinas and Athinon Corner Street CY 3040, Limassol, Cyprus
AIFM:	Byron Capital Partners Ltd 113 Prodromou Street, 2064, Strovolos, Nicosia, Cyprus
Fund Administrator:	Trident Trust (Company) Cyprus Ltd 115 Griva Digeni 3101, Limassol, Cyprus
Depository:	Bank of Cyprus Public Company Limited 6 Evrou Street 2023 Strovolos, Nicosia, Cyprus
Real Estate Advisors:	Invel Real Estate Management (Cyprus) Ltd 17, Elenis Palaologinas and Athinon corner, 3040, Limassol, Cyprus
Registration number:	HE378761

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

AIF MANAGER REPORT

In relation to CYREIT AIF 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 17 Elenis Palaiologinas and Athinon Corner Street, CY 3040, Limassol.

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.

Ultimately, the Fund seeks 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.

This is 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.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

AIF MANAGER REPORT

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, and is monitoring to ensure compliance with 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.

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 Fund, 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 the Fund's 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.

Alternative Investment Fund Manager Commentary

Three years ago, the global pandemic created an overwhelming health crisis and consequently an economic one. While those tremors will continue to reverberate for a while, 2022 saw two additional significant shocks materialize: the surge of inflation after a 40-year hiatus and the war in Ukraine. The current seismic shift in economic, social, and political themes has seen several significant and long-standing macro forces thrust into reverse: globalization to nationalism and reshoring, deflation to inflation, quantitative easing to quantitative tightening, energy and food security to insecurity, global cooperation to sanctions and fragmentation. So much so that the Collins Word of the Year for 2022 is 'Permacrisis', describing a period of extended instability and insecurity. Inflation in the Eurozone ran at uncomfortably high levels with inflation at 9.20% in December 2022 in the Eurozone.

Looking at financial markets in 2022, the year was undoubtedly a year to forget. For the first time since 1969 stock and bond markets together experienced significant declines during the year, providing very few places to hide financially. Markets priced in the effects of entrenched inflation, reacted to aggressive central bank tightening, and became increasingly sensitive to a rapidly changing geopolitical landscape. Soaring inflation and a global dash higher in interest rates resulted in a miserable year for bond investors. The (16%) drop in the Bloomberg global aggregate bond index — a broad gauge of government and corporate bonds — is the worst performance in data stretching back to 1991, dwarfing all the other relatively rare annual downturns for fixed income over the past three decades.

The yield on 10-year US government bonds — a benchmark for global bonds — peaked at above 4.3% in October, having started the year at around 1.5%, helping to fuel a (20%) drop in global stocks. Another major event of 2022 was the collapse of the 'fashionable' cryptocurrencies and a series of failures in overleveraged and often poorly managed market intermediaries.

Turning to the performance of the Fund in 2022, the Fund distributed EUR 9,670,000 to investor shareholders in 2022 that reflects the confidence in the underlying property portfolio irrespective of the macroeconomic turbulence described in the above commentary. Including distributions, the Fund returned +5.07% over 2022 finishing 2022 with a NAV of 183,808,128 resulting in a NAV per investor share of 1,047.98. At year end 2022, the value of the property portfolio totaled EUR 175,466,000 comprising of 21 commercial properties in Cyprus in comparison with a total portfolio value of EUR 171,668,000 at yearend 2021. Key drivers of the fair value gains were the revaluations of large portfolio exposures including properties held in the SPVs of Smooland Properties Limited, Alomnia Properties Limited, Arleta Properties Limited and Wiceco Properties Limited. The Fund finished 2022 with a consolidated cash position of EUR 7,967,315 and a total consolidated liability position of EUR 2,144,573.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

AIF MANAGER REPORT

Alternative Investment Fund Manager Commentary (continued)

As at December 31, 2022, the underlying portfolio is generating annualised rental income of approx. EUR 9.94 million with a 95,7% occupancy rate. Given the strength being demonstrated by the underlying property portfolio the intention is to opportunistically sell some properties in 2023 with a view to either distributing further monies to investor shareholders or recycling the sales proceeds into higher yielding local opportunities in the real estate space in Cyprus.

AIFMD Remuneration Disclosure

The Alternative Investment Fund Manager (hereinafter AIFM) has adopted a remuneration policy which meets the requirements of the Alternative Investment Fund Managers' Directive and has been in place since the appointment of the AIFM by the Fund. The below information provides the total remuneration paid by the AIFM during the 12-month period ending December 31st 2022. There is no allocation made by the AIFM to each Fund under the management of the AIFM and as such the disclosure reflects the remuneration paid to individuals who are partly or fully involved in the Fund. The AIFM identified staff totaled 6 persons. The aggregate 2022 total remuneration paid to AIFM Identified Staff was EUR 278,109 of which EUR 150,000 relates to Senior Management or staff engaged in control functions and EUR 128,109 relates to other Identified Staff. No variable remuneration was paid in 2022.

Sustainable Finance Disclosure Regulation (SFDR)

For the purpose of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector (SFDR) the Fund and its Sub-Fund do not meet the criteria to qualify as either environmental, social and governance (ESG) orientated fund pursuant to Art. 8 of SFDR or a sustainable investment fund pursuant to Art. 9 of SFDR. Accordingly, the Fund shall not be expected to pursue an investment approach that explicitly promotes environmental or social characteristics or to have sustainable investment as its objective. The Fund is therefore categorized from an SFDR perspective under Art. 6 of SFDR.

Notwithstanding the above classification, the AIFM aims to take Sustainability Risks into consideration into the investment decision process to achieve an appropriately balanced expected risk-adjusted return. Depending on the investment, the importance of Sustainability Risks varies. When assessing the sustainability risk associated with underlying investments, the AIFM assesses the risk that the value of such underlying investments could be materially negatively impacted by an environmental, social or governance event or condition. Sustainability risks are identified at various steps of the investment process, where relevant, from research, allocation, selection, portfolio construction decisions, or management engagement, and are considered relative to the Fund's risk and return objectives.

For the time being the AIFM does not consider adverse impacts of investment decisions on sustainability factors in accordance with the discretion granted pursuant Art. 4 of the SFDR. The main reason for not considering adverse impacts of investment decisions on sustainability factors at the Fund level is the lack of data available in sufficient quantity and quality to adequately assess the principal adverse impacts.

The AIFM does, however, keep this situation under review and does not exclude considering the principal adverse impacts of its investment decisions on Sustainability Factors within the meaning of the SFDR Regulation at a later stage, when the applicable legal and regulatory framework as well as the available data sources have improved to a sufficient degree as to make a meaningful analysis. The AIFM will review and update its investment decision process/approach as appropriate from time to time to reflect material changes in the applicable legal and regulatory framework, the Fund's investment objective and policy, its competitive environment or key stakeholders' expectations

Valuation and Pricing Methodology

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 and Prospectus of the Fund.

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

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

AIF MANAGER REPORT

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 semi-annually through an on site valuation, performed by a suitable independent qualified RICS accredited appraiser to be appointed by the Alternative Investment Fund Manager and 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. 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.

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 six 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 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 Fund'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 Fund and the low liquidity nature of its assets.

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.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

AIF MANAGER REPORT

Liquidity Risk Management and Redemption Rights (continued)

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 months 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.

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. Alternative Investment Fund Manager Fees
- III. Accounting and Tax service fees
- IV. External Auditor Fees
- V. Fund Administration Fees
- VI. Legal and Secretarial Fees
- VII. Regulatory expenses

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

AIF MANAGER REPORT

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 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.

Issue of Units

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 2022 amounts to €183,808,128. The Fund's results for the year are set out on page 19.

Disclosures to Investors

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

- (a) The annual report of the Fund for each fiscal year;
- (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 Investors at the points of distribution of its Investments Shares with 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.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

AIF MANAGER REPORT

Disclosures to Investors (continued)

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 request.

Professional insurance

To cover potential professional liability 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.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in Note 22 to the consolidated financial statements.



Robert Street
Director
Byron Capital Partners Ltd.

29 June 2023

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

CONSOLIDATED MANAGEMENT REPORT AND REPORT ON THE ACTIVITIES AND PERFORMANCE OF THE YEAR

The Board of Directors of CYREIT AIF Variable Capital Investment Company PLC (the "Fund") presents to the members its Annual Report together with the audited consolidated financial statements of the Fund for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS OF THE FUND

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").

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.

FINANCIAL RESULTS

The Fund's financial results for the year ended 31 December 2022 are set out on page 17 to the consolidated financial statements. The net profit for the year attributable to the owners of the Fund amounted to €8,869,883 (2021: €7,842,185 profit). By excluding the net gain / net loss from the fair value adjustment of investment properties (2022: gain of €2,366,263 2021: net gain of €1,844,000), the Fund's adjusted profit for the year 2022 amounted to €6,503,620 compared to €5,998,185 in 2021.

EXAMINATION OF THE DEVELOPMENT, POSITION AND PERFORMANCE OF THE ACTIVITIES OF THE FUND

Market Values

As per the latest valuation reports carried out by independent property valuers, the market value of the properties stands at €175,466,000 (2021: €171,668,000) which on an overall basis is higher due to the revaluation gains arising in majority of investment properties.

Cash and Other Assets

The cash at bank as at 31 December 2022 amounts to €7,967,315. Other assets refer mainly to trade and other receivables.

Revenue

The Fund's revenue for the year ended 31 December 2022 was €8,815,735 (2021: €8,734,986).

Dividends

The Fund declared the payment of a final dividend of €9,670,000 during the year ended 31 December 2022 (2021: €3,700,000).

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 8 of the consolidated financial statements.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

CONSOLIDATED MANAGEMENT REPORT AND REPORT ON THE ACTIVITIES AND PERFORMANCE OF THE YEAR

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.

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.

OPERATIONS

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.

FUTURE DEVELOPMENTS

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.

SHARE CAPITAL

There were no changes in the share capital of the Fund during the year.

BRANCHES

During the year ended 31 December 2022 the Fund did not operate through any branches.

BOARD OF DIRECTORS

The members of the Fund's Board of Directors as at 31 December 2022 and at the date of this report are presented on page 2. In accordance with the Fund's Articles of Association all directors presently members of the Board continue in office.

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

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

CONSOLIDATED MANAGEMENT REPORT AND REPORT ON THE ACTIVITIES AND PERFORMANCE OF THE YEAR

EVENTS AFTER THE REPORTING PERIOD

Any significant events that occurred after the end of the reporting period are described in Note 22 to the consolidated financial statements.

INDEPENDENT AUDITORS

The independent auditors, Ernst & Young Cyprus Limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Aristotelis Karytinis
Director
29 June 2023

Independent Auditor's Report

To the Members of CYREIT AIF Variable Capital Investment Company PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of CYREIT AIF Variable Capital Investment Company PLC (the "Fund"), and its subsidiaries (the "Group"), which are presented in pages 17 to 43 and comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of profit or loss and other comprehensive income, changes in net assets and cash flows for the year 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 2022, and of its consolidated financial performance and its consolidated 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 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 report and the Consolidated Management Report and Report on the Activities and Performance of the year, 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.

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.
- 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 appropriate 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 Matters

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.



Andreas Avraam

Certified Public Accountant and Registered Auditor
for and on behalf of

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors

Limassol, 29 June 2023

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	2022 €	2021 €
Revenue	9	8,815,735	8,734,986
Gain from the fair value adjustment of investment properties	11	2,366,263	1,844,000
Operating expenses	12	(2,430,349)	(2,834,440)
Net impairment losses on financial assets	17	51,539	320,816
Write off of financial assets		(77,620)	-
Other income	10	667,018	-
Operating profit		9,392,586	8,065,362
Finance costs	13	(70,587)	(53,896)
Profit before tax		9,321,999	8,011,466
Tax	14	(452,116)	(169,281)
Net profit for the year		8,869,883	7,842,185
Other Comprehensive income		-	-
Increase in net assets attributable to holders of investment shares		8,869,883	7,842,185

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2022

	Note	2022 €	2021 €
ASSETS			
Non-current assets			
Investment properties	16	<u>175,466,000</u>	<u>171,668,000</u>
		<u>175,466,000</u>	<u>171,668,000</u>
Current assets			
Trade and other receivables	17	2,488,358	2,368,917
Tax refund		31,028	-
Cash at bank	18	<u>7,967,315</u>	<u>11,667,912</u>
		<u>10,486,701</u>	<u>14,036,829</u>
Total assets		<u>185,952,701</u>	<u>185,704,829</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liability		<u>308,177</u>	<u>16,000</u>
		<u>308,177</u>	<u>16,000</u>
Current liabilities			
Trade and other payables	20	1,131,205	634,859
Tax liability		-	10,103
Dividends payable	15	<u>705,191</u>	<u>435,622</u>
		<u>1,836,396</u>	<u>1,080,584</u>
Total liabilities		<u>2,144,573</u>	<u>1,096,584</u>
Net assets attributable to holders of investment shares		<u>183,808,128</u>	<u>184,608,245</u>
Number of investment shares as at 31 December	19	<u>175,393</u>	<u>175,393</u>
Net assets per share attributable to holders of investment shares		<u>1,047.98</u>	<u>1,052.54</u>

On 29 June 2023 the Board of Directors of CYREIT AIF Variable Capital Investment Company PLC approved and authorised these consolidated financial statements for issue.


Aristotelis Karytinis
Director


Spyridon Makridakis
Director

The notes on pages 21 to 43 form an integral part of these consolidated financial statements

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the year ended 31 December 2022

	Note	€
Net assets attributable to holders of investment shares as at 1 January 2021		180,466,060
Increase in net assets attributable to holders of investment shares in 2021		7,842,185
Dividends declared	15	<u>(3,700,000)</u>
Net assets attributable to holders of investment shares as at 31 December 2021		184,608,245
Increase in net assets attributable to holders of investment shares in 2022		8,869,883
Dividends declared	15	<u>(9,670,000)</u>
Net assets attributable to holders of investment shares as at 31 December 2022		<u>183,808,128</u>

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 €	2021 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		9,321,999	8,011,466
Adjustments for:			
Gain from the fair value adjustment of investment properties	11	(2,366,263)	(1,844,000)
Decrease of expected credit losses on financial assets	17	(51,539)	(320,816)
Write off of financial assets		77,620	-
Finance costs	13	70,587	53,896
Cash generated from operations before working capital changes		7,052,404	5,900,545
Changes in working capital:			
(Increase) / Decrease in trade and other receivables		(145,522)	1,086,579
Increase / (Decrease) in trade and other payables		496,346	(1,158,712)
Cash generated from operations		7,403,228	5,828,412
Interest paid	17	(70,587)	(53,896)
Tax paid		(201,070)	150,472
Net cash generated from operating activities		7,131,571	5,924,988
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payment for renovation cost on investment properties	16	(1,431,737)	-
Net cash used in investing activities		(1,431,737)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	15	(9,400,431)	(3,735,321)
Net cash used in financing activities		(9,400,431)	(3,735,321)
Net increase/(decrease) in cash and cash equivalents		(3,700,597)	2,189,667
Cash and cash equivalents at beginning of the year		11,667,912	9,478,245
Cash and cash equivalents at end of the year	18	7,967,315	11,667,912

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. Reporting entity

Country of incorporation

CYREIT AIF Variable Capital Investment Company PLC (the "Fund") was incorporated in Cyprus on 16 January 2018 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its registered office is at 17, Eleni Palaiologinas and Athinon corner, 3040 Limassol, Cyprus.

Principal activities

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.

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").

The Fund did not employ any personnel as of 31 December 2022.

Investment Manager, Depositary and Fund Administrator

The Fund is externally managed by Byron Capital Partners Ltd, an Alternative Investment Fund Manager authorized and regulated by CySEC under license number AIFM13/56/2013 and operates with a Depositary, as further detailed below.

The Fund's Administrator is Trident Trust (Company) Cyprus 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.

Bank of Cyprus currently acts as Depositary to the Fund in accordance with section 26(1) of the AIF Law and performs the duties of the Depositary under Article 24 of the AIFM Law.

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, Wicoco 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 during prior years as disclosed in Note 21.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

2. Basis of preparation (continued)

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 consolidated financial statements are set out below in Note 6. These policies have been consistently applied during the reporting period.

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

2.1 Information about current geopolitical developments and the impact of energy crisis

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these consolidated financial statements for issue, the conflict continues to evolve as military activity proceeds. In addition to the impact of the events on entities that have operations in Russia, Ukraine, or Belarus or that conduct business with their counterparties, the conflict is increasingly affecting economies and financial markets globally and exacerbating ongoing economic challenges.

The United Nations, European Union as well as United States of America, Switzerland, United Kingdom and other countries imposed a series of restrictive measures (sanctions) against the Russian and Belarussian government, various companies, and certain individuals. The sanctions imposed include an asset freeze and a prohibition from making funds available to the sanctioned individuals and entities. In addition, travel bans applicable to the sanctioned individuals prevents them from entering or transiting through the relevant territories. The Republic of Cyprus has adopted the United Nations and European Union measures. The rapid deterioration of the conflict in Ukraine may as well lead to the possibility of further sanctions in the future.

Emerging uncertainty regarding global supply of commodities due to the conflict between Russia and Ukraine conflict may also disrupt certain global trade flows and place significant upwards pressure on commodity prices and input costs as seen through early March 2022. Challenges for companies may include availability of funding to ensure access to raw materials, ability to finance margin payments and heightened risk of contractual non-performance.

The impact on the Fund largely depends on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflict prevails and the high level of uncertainties arising from the inability to reliably predict the outcome.

Regarding the war in Ukraine and the current energy crisis, the Fund's Management closely monitors and evaluates the developments in order to implement any necessary measures (if so required) in order to ensure business continuity and the limitation of any adverse effects.

Regarding the inflationary pressure, the company's rental income is mostly linked to an adjustment (rent review) clause in relation to the change in the consumer price index.

The Fund recognizes the increase in the construction cost of real estate as the main point of potential concern. The Fund's main exposure is related to real estate development projects, with the majority of those projects being in an early stage of completion.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

3. Functional and presentation currency

The consolidated financial statements are presented in Euro (€) which is the functional currency of the Fund.

4. Adoption of new or revised standards and interpretations

During the current year the Fund 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 2022:

- IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018-2020 (Amendments)

This adoption did not have a material effect on the accounting policies of the Fund.

5. Critical accounting estimates and judgements

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. 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 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 valuation techniques. The Fund 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 properties has been estimated based on the fair value of their individual assets. Further details on the valuation methodology, assumptions used and sensitivity analysis are disclosed in Note 16.

- **Expected credit losses on financial assets**

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

6. Significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently for all the years presented in these consolidated financial statements unless otherwise stated. The accounting policies have been consistently applied by all companies of the Group.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. Significant accounting policies (continued)

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 year ended 31 December 2022. The financial statements of the subsidiaries are prepared as of the same reporting date as that of the Fund, using consistent accounting policies.

Subsidiaries

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 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. They are deconsolidated from the date that control ceases.

The Fund has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Law Cap.113 requires consolidated financial statements to be prepared and laid before the Fund members at the Annual General Meeting. The Group consolidated financial statements comprise the financial statements of the parent company CYREIT AIF Variable Capital Investment Company Plc and the financial statements of its subsidiaries, as detailed in Note 1 Group structure – subsidiary companies.

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.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. Significant accounting policies (continued)

Revenue (continued)

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the services that will be transferred to the customer and when specific criteria have been met for the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of comprehensive income in the period in which the circumstances that give rise to the revision become known by Management.

Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A service that is promised to a customer is distinct if the customer can benefit from the service, either on its own or together with other resources that are readily available to the customer (that is the service is capable of being distinct) and the Company's promise to transfer the service to the customer is separately identifiable from other promises in the contract (that is, the service is distinct within the context of the contract).

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a service to a customer.

- **Rental income**

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

Finance 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.

Finance costs

Finance expenses comprise bank charges, which are charged to the statement of profit or loss and other comprehensive income as they incur.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. Significant accounting policies (continued)

Foreign currency translation

(1) 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.

(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.

Tax

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

Current tax

Tax liabilities and assets for the current and prior periods 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. Current tax includes any adjustments to tax payable in respect of previous periods.

Deferred tax

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 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 Fund where there is an intention to settle the balances on a net basis.

Dividends

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. Significant accounting policies (continued)

Investment properties

Investment properties comprise commercial real estate properties (primarily retail, offices, logistics and hotels in Cyprus) and are held for long-term rental yields and/or for capital appreciation and are not occupied by the Fund. Investment properties are carried at fair value, representing open market value determined semi-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 derecognised 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 derecognised.

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 assets

Financial assets – Initial recognition and subsequent measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL).

The classification and subsequent measurement of financial assets depends on: (i) the Fund's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Fund may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Fund's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. Significant accounting policies (continued)

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 transaction in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Debt instruments

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 at bank and trade and other receivables.

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 assets". Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Financial assets measured at amortised cost are presented in the consolidated statement of financial position net of the allowance for ECL.

Expected credit losses are recognised 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 credit 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. Significant accounting policies (continued)

Financial assets – Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write off

Financial assets are written off, in whole or in part, when the Fund exhausted 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.

Financial assets - modification

The Fund sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Fund assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties. If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Fund derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Fund also assesses whether debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Fund compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Fund recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Trade and other 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 Fund 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 Fund, and a failure to make contractual payments for a period specified in the relevant lease agreement.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. Significant accounting policies (continued)

Financial liabilities - Classification, subsequent measurement and gains and losses

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.

The financial liabilities of the Fund are measured as follows:

Trade and other payables

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

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 consolidated statement of financial position when, and only when, the Fund has a currently enforceable legal right to offset the recognised amounts and it intends to settle them 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 consolidated statement of financial position.

Share capital

The share capital structure of the Fund is divided in two types of shares, the Management shares and the Investment shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

6. Significant accounting policies (continued)

Comparatives

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

7. New accounting pronouncements

Up to the date of approval of the consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Fund has not early adopted, as follows:

(i) Issued by the IASB and adopted by the European Union

- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective for annual periods beginning on or after 1 January 2023).
- IFRS 17: Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) (effective for annual periods beginning on or after 1 January 2023).

(ii) Issued by the IASB but not yet adopted by the European Union

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (issued on 23 January 2020 and 15 July 2020 respectively) (effective for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022) (effective for annual periods beginning on or after 1 January 2024).

The above are expected to have no significant impact on the Fund's consolidated financial statements when they become effective.

8. Financial risk management

8.1 Financial risk factors

The Fund is exposed to credit risk, liquidity risk, market price risk and capital risk management arising from the financial instruments it holds. The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and in the Fund's activities.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

8. Financial risk management (continued)

(i) 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 and with respect to cash balances held as at the reporting date.

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.

8.2 Cash at bank

Concerning cash and cash equivalents, in order to minimize credit risk on cash reserves and cash equivalent, the Risk Manager assesses the credit quality of the counterparty taking into account ratings from external credit rating institutions and internal ratings, if external are not available.

	2022 €	2021 €
B1 ^[1]	7,967,315	11,667,912
	<u>7,967,315</u>	<u>11,667,912</u>

^[1] As per Moody's rating as at 31 December 2022/ 31 December 2021.

The ECL on current accounts is considered to be approximate to 0, unless the bank is subject to capital controls. The ECL on current accounts is not considered to be significant, as the cash at bank are held with banks with investment grade rating. The ECL on deposits accounts is calculated by considering published PDs for the rating as per Moody's and an LGD of 40-60% as published by ECB.

The Fund does not hold any collateral as security for any cash at bank balances.

There were no significant cash at bank balances written off during the year that are subject to enforcement activity.

(ii) 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 Fund 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 following are the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

8. Financial risk management (continued)

31 December 2022	Carrying amounts €	Contractual cash flows €	Between 12 months €
Trade and other payables	<u>1,131,205</u>	<u>1,131,205</u>	<u>1,131,205</u>
	<u>1,836,396</u>	<u>1,836,396</u>	<u>1,836,396</u>
31 December 2021	Carrying amounts €	Contractual cash flows €	Between 12 months €
Trade and other payables	<u>634,859</u>	<u>634,859</u>	<u>634,859</u>
	<u>634,859</u>	<u>634,859</u>	<u>634,859</u>

(iii) Market 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.

(iv) 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.

8.3 Fair value estimation

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

8.4 Fair value measurements recognized in statement of financial position

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).

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For the year ended 31 December 2022

8.4 Fair value measurements recognized in statement of financial position (continued)

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

The Fund recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following table presents the Fund's assets that are measured at fair value at 31 December 2022 and 31 December 2021:

	Level 3	2022 Total	Level 3	2021 Total
	€	€	€	€
Investment properties	<u>175,466,000</u>	175,466,000	<u>171,668,000</u>	171,668,000
	<u>175,466,000</u>	175,466,000	<u>171,668,000</u>	171,668,000

Disclosures relating to fair value hierarchy of non-financial assets measured at fair value are disclosed in Note 16.

9. Revenue

	2022 €	2021 €
Rental income	<u>8,815,735</u>	8,734,986
	<u>8,815,735</u>	8,734,986

Analysis of rental income:

	2022 €	2021 €
Investment properties rental income	7,780,461	8,285,875
Usage right income	1,027,056	437,318
Parking rental income	<u>8,217</u>	11,793
	<u>8,815,735</u>	8,734,986

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

	2022 €	2021 €
No later than 1 year	5,535,819	5,868,896
Later than 1 year and no later than 5 years	16,913,818	18,026,212
Later than 5 years	<u>4,070,986</u>	7,209,339
Total	<u>26,520,623</u>	31,104,447

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10. Other income

	2022	2021
	€	€
Insurance claim	659,934	-
Other	7,084	-
Total	667,018	-

11. Gain from the fair value adjustment of investment properties

	2022	2021
	€	€
Fair value gain on investment properties (Note 16)	2,366,263	1,844,000
Total	2,366,263	1,844,000

12. Operating expenses

	2022	2021
	€	€
Directors fees (Note 21.1)	40,000	40,000
Auditors' remuneration – current year	95,025	95,000
Auditors' remuneration – prior years	25	2,280
Asset management fees	-	247,499
Fund Administration fees	16,443	54,412
Fund Management fees	35,100	20,184
Legal fees	98,713	60,777
Insurance expenses	188,134	180,368
Other expenses	807,169	787,208
Advisory fees (Note 21.2)	868,016	848,567
Sundry expenses	216,025	446,440
CySEC annual fees	2,800	4,300
Other professional fees	62,899	47,405
Total	2,430,349	2,834,440

13. Finance costs

	2022	2021
	€	€
Bank charges	70,587	53,896
Finance costs	70,587	53,896

14. Tax

	2022	2021
	€	€
Deferred tax	292,177	-
Corporation tax – current year	23,000	7,600
Corporation tax – overprovision prior year	(41,137)	-
Special contribution to the defence fund	178,076	161,681
Charge for the year	452,116	169,281

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

14. Tax (continued)

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

	2022 €	2021 €
Profit before tax	<u>9,321,999</u>	<u>8,011,466</u>
Tax calculated at the applicable tax rates	1,165,250	1,001,433
Tax effect of expenses not deductible for tax purposes	277,034	183,295
Tax effect of allowances and income not subject to tax	(1,393,510)	(1,135,344)
Tax effect on loss for the year	4,350	-
Prior year taxes	(41,137)	-
Special contribution to the defence fund	178,076	161,681
Deferred tax expense	292,177	-
Tax credit claimed	-	(15,144)
Tax effect of utilization of tax losses brought forward	<u>(30,124)</u>	<u>(26,640)</u>
Tax charge	<u>452,116</u>	<u>169,281</u>

The corporation tax rate is 12,5% and the capital gains tax is 20%. In addition, 75% of the gross rents receivable are subject to defence contribution at the rate of 3%.

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

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

15. Dividends

	2022 €	2021 €
Final Dividend declared	<u>9,670,000</u>	<u>3,700,000</u>
	<u>9,670,000</u>	<u>3,700,000</u>

Dividends are subject to a deduction of special contribution for defence at 17% for individual owners that are both Cyprus tax resident and Cyprus domiciled. Dividends payable to non-residents of Cyprus are not subject to such a deduction.

The dividends paid as disclosed in the Consolidated Statement of Cash Flows are €9,400,431 and relate to dividends declared to the shareholders during 2022. Part of previous dividends outstanding was paid in 2022. An amount of €705,191 was payable to the shareholders as of 31 December 2022 (2021: €435,622) (Note 21.3).

16. Investment properties

	2022 €	2021 €
Balance at 1 January	171,668,000	169,824,000
Renovation cost	1,431,737	-
Gain from fair value adjustment on investment properties (Note 11)	<u>2,366,263</u>	<u>1,844,000</u>
Balance at 31 December	<u>175,466,000</u>	<u>171,668,000</u>

CYREIT AIF VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. Investment properties (continued)

The investment properties are valued semi-annually on 31 December and 30 June, 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 "Gain from the fair value adjustment of investment properties".

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. The Fund's investment properties is a Level 3 hierarchy valuation and during the year, there were no transfers into and out of Level 3.

Valuation processes

The Fund's investment properties were valued at 31 December 2022 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. 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.

Information about fair value measurements of investment property for 31.12.2022 and 31.12.2021 is as follows:

Information about fair value measurement using significant unobservable inputs (Level 3) - 31 December 2022

Property	Fair Value €	Valuation Technique	Monthly Rent (Average) €	Discount rate %	Capitalisation rate %
Leroy Merlin - DIY	€ 29,002,000	80% discounted cash flows (DCF) and 20% market approach	€ 116,768	7.82	6.00
Ellinas House	€ 6,896,000	80% discounted cash flows (DCF) and 20% market approach	€ 32,486	7.47 – 7.50	5.50
Ministry of Education	€ 5,624,000	80% discounted cash flows (DCF) and 20% market approach	€ 27,337	7.50	5.50
Unicars Service Centre	€ 5,584,000	80% discounted cash flows (DCF) and 20% market approach	€ 27,715	7.14	5.25
Louis Althea Beach Hotel	€ 23,510,000	100% discounted cash flows (DCF)	N/A	10.00	8.00
Diapo Ltd	€ 4,424,000	80% discounted cash flows (DCF) and 20% market approach	€ 22,800	7.90	5.90
University of Nicosia	€ 6,564,000	80% discounted cash flows (DCF) and 20% market approach	€ 31,048	7.47-7.50	5.50
La Croissanterie	€ 814,000	80% discounted cash flows (DCF) and 20% market approach	€ 4,145	7.93	6.00
Printco Strovolos	€ 2,193,000	80% discounted cash flows (DCF) and 20% market approach	€ 11,220	7.42	5.50
Irida 3 Building	€ 14,272,000		€ 78,717	8.25	6.25

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For the year ended 31 December 2022

		80% discounted cash flows (DCF) and 20% market approach			
Bank of Cyprus Kaimakli	€ 4,486,000	80% discounted cash flows (DCF) and 20% market approach	€ 25,951	7.50 - 8.00	5.50 - 6.00
N.P. Lanitis	€ 2,636,000	80% discounted cash flows (DCF) and 20% market approach	€ 13,547	7.75 - 8.15	5.75
Shacolas Tower	€ 12,886,000	80% discounted cash flows (DCF) and 20% market approach	€ 59,410	6.96 - 8.50	5.00 - 6.50
Superhome Centre – DIY	€ 9,216,000	80% discounted cash flows (DCF) and 20% market approach	€ 48,929	8.00	6.00
D. Nicolaou Zakaki	€ 15,262,000	80% discounted cash flows (DCF) and 20% market approach	€ 77,815	7.60 - 8.25	5.60 - 6.25
Athinodorou Business Centre Paphos	€ 2,111,000	80% discounted cash flows (DCF) and 20% market approach	€ 9,813	7.50 - 8.50	5.50 – 6.50
Afentico Anna Commercial Building	€ 2,293,000	80% discounted cash flows (DCF) and 20% market approach	€ 12,310	8.00 - 8.25	6.00 - 6.25
Integrated Casino Resorts Cyprus Ltd	€ 6,828,000	80% discounted cash flows (DCF) and 20% market approach	€ 35,229	7.60	6.00
Shop Armenias Branch	€ 609,000	80% discounted cash flows (DCF) and 20% market approach	3,751	8.48	6.00
TNT Express (Cyprus) Limited Warehouse	€ 1,377,000	80% discounted cash flows (DCF) and 20% market approach	€ 7,625	7.96	6.00
ERA Department Stores	€ 18,879,000	80% discounted cash flows (DCF) and 20% market approach	€ 119,197	8.43	6.50
Total	€ 175,466,000				

Information about fair value measurement using significant unobservable inputs (Level 3) –31 December 2021

Property	Valuation €	Valuation Technique	Monthly Rent (Average) €	Discount rate %	Capitalisation rate %
Leroy Merlin - DIY	€ 27,422,000	85% discounted cash flows (DCF) and 15% market approach	€ 116,784	7.52	6.00
Ellinas House	€ 7,059,000	80% discounted cash flows (DCF) and 20% market approach	€ 31,613	7.10	5.50
Ministry of Education	€ 5,467,000	80% discounted cash flows (DCF) and 20% market approach	€ 26,344	7.15	5.50
Unicars Service Centre	€ 5,438,000	80% discounted cash flows (DCF) and 20% market approach	€ 26,710	7.15	5.50
Louis Althea Beach Hotel	€ 22,735,000	100% discounted cash flows (DCF)	€ N/A	9.52	8.00

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For the year ended 31 December 2022

Diapo Ltd	€ 4,376,000	80% discounted cash flows (DCF) and 20% market approach	€ 22,575	7.65	6.00
University of Nicosia	€ 6,387,000	80% discounted cash flows (DCF) and 20% market approach	€ 28,225	6.90	5.25
La Croissanterie	€ 947,000	80% discounted cash flows (DCF) and 20% market approach	€ 5,065	7.90	6.25
Printco Strovolos	€ 2,230,000	80% discounted cash flows (DCF) and 20% market approach	€ 11,412	7.15	5.50
Irida 3 Building	€ 14,311,000	80% discounted cash flows (DCF) and 20% market approach	€ 77,325	7.89 – 8.01	6.25
Bank of Cyprus Kaimakli	€ 4,286,000	80% discounted cash flows (DCF) and 20% market approach	€ 23,642	7.15 – 8.14	5.50 - 6.50
N.P. Lanitis	€ 2,729,000	80% discounted cash flows (DCF) and 20% market approach	€ 13,650	7.40 – 7.46	5.75
Shacolas Tower	€ 12,835,000	80% discounted cash flows (DCF) and 20% market approach	€ 58,575	6.65 – 8.14	5.00 - 6.50
Superhome Centre - DIY	€ 9,010,000	80% discounted cash flows (DCF) and 20% market approach	€ 46,398	7.65	6.00
D. Nicolaou Zakaki	€ 15,108,000	80%-100% discounted cash flows (DCF) and 0%-20% market approach	€ 75,776	7.40 – 7.90	5.75 – 6.25
Athinodorou Business Centre Paphos	€ 2,101,000	80% discounted cash flows (DCF) and 20% market approach	€ 9,525	7.15 – 8.14	5.50 – 6.50
Afentico Anna Commercial Building	€ 2,237,000	80% discounted cash flows (DCF) and 20% market approach	€ 12,310	7.15 – 7.65	5.50 - 6.00
Integrated Casino Resorts Cyprus Ltd	€ 7,100,000	80% discounted cash flows (DCF) and 20% market approach	€ 33,480	7.15	5.50
Shop Armenias Branch	€ 549,000	80% discounted cash flows (DCF) and 20% market approach	€ 3,688	8.14	6.50
TNT Express (Cyprus) Limited Warehouse	€ 1,302,000	80% discounted cash flows (DCF) and 20% market approach	€ 6,256	7.64	6.00
ERA Department Stores	€ 18,039,000	80% discounted cash flows (DCF) and 20% market approach	€ 111,099	8.15	6.50
Total	€ 171,668,000				

The above mentioned valuations had as a result a gain from fair value adjustment of investment property amounting to €2,366,263 (31.12.2021: €1,844,000).

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16. Investment properties (continued)

Valuation techniques underlying management's estimation of fair value

Property valuations are supported by appraisals performed by independent professionally qualified valuers who prepare their reports twice a year as at June 30 and December 31. For the valuation of Cyreit's properties, two valuation approaches were applied. The income approach, with the use of the Discounted Cash Flow method and the market approach.

The income approach is mainly applied into properties that can produce income and are held or for investment purposes. The basis of this method considers the market rent derived from comparable information, which is then capitalized at a market yield, at gross level, to achieve the property's market value, although in leased properties the passing rent is considered and the cash flow technique is used.

The cash flow technique is applied into properties that are held for a certain period of time, either as leasehold or freehold, where an investor would examine the level of rent achieved (if it is below or above market), the tenant status, the lease length and clauses of the contract. In freehold properties, the value is estimated by the sum of the present value of all income received over a certain period of time, and the capitalized present value of the ERV at the end of the lease period (terminal value). The Discount Rate as a result of the sum of exit yield and growth rate (DDM Model), includes the risk premium for the investment (risk free plus risk premium).

The market approach is based on collection and evaluation of comparable evidence from other similar properties in the nearby area, as well as on general local property market research findings. Some of the following principal factors affect the value of a property and its location, the property's physical characteristics, the urban planning status and prevailing building regulations and uses, the specific time when the valuation is conducted, in conjunction with the current market circumstances, demand and supply levels and the market trends that are evident at that specific point in time.

With regards to the weighing of the two methods (DCF and market approach), the rates 80% or 100% for the DCF method and 20% or 0%, respectively, for the market approach have been applied, as shown in the table above. The increased weighting on the DCF method is due to the fact that this method reflects more effectively the manner in which investment properties, such as the properties of Cyreit's portfolio, transact in the market.

The increase/decrease of the discount rate used in the DCF analysis as at December 31, 2022, by +/-10% would have resulted in a decrease/increase of the carrying amount of the investment properties by €5,010,000 and €5,478,000, respectively.

The increase/decrease of the capitalization rate used in the DCF analysis as at December 31, 2022, by +/-10% would have resulted in a decrease/increase of the carrying amount of the investment properties by €9,368,000 and €11,483,000, respectively.

The following amounts have been recognised in profit or loss:

	2022	2021
	€	€
Rental income (Note 9)	8,815,735	8,734,986
Direct operating expenses arising from investment properties that generate rental income	(1,803,304)	(2,038,982)
Net gain from the fair value adjustment of investment properties (Note 11)	2,366,263	1,844,000

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17. Trade and other receivables

	2022	2021
	€	€
Trade receivables	2,003,831	1,862,625
Less: credit loss on trade receivables	(184,587)	(236,126)
Trade receivables - net	1,819,244	1,626,499
VAT receivable	221,064	357,056
Other receivables	448,050	385,362
Balance at 31 December	2,488,358	2,368,917

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

18. Cash at bank

Cash balances are recognized as follows:

	2022	2021
	€	€
Cash at bank	7,967,315	11,667,912
Balance at 31 December	7,967,315	11,667,912

For the purposes of the statement of cash flows, the cash and cash equivalents include cash at bank.

Cash and cash equivalents are denominated in the following currency:

	2022	2021
	€	€
Euro	7,967,315	11,667,912

The exposure of the Fund to credit risk and impairment losses in relation to cash and cash equivalents is reported in Note 8 to the consolidated financial statements.

19. Share capital

Share Capital

The share capital structure of the Fund is divided in two types of shares, the Management Shares and the Investment Shares owned by the Investors. The authorised share capital of the Fund is 125 Management Shares of EUR 1,000 each and 250,000 Investment Shares of no nominal value. The issued share capital of the Fund is €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 properties into the Fund by Bank of Cyprus Public Company Limited in February 2018 (Note 21).

Management shares

The Management Shares are held as at 31 December 2022 by Prodea Real Estate Investment Company Societe Anonyme. 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).

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For the year ended 31 December 2022

19. Share capital (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

The 88,23% of Investment Shares are held by Prodea Real Estate Investment Company Societe Anonyme.

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. 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.

20. Trade and other payables

	2022	2021
	€	€
Trade payables	822,098	381,088
Rent guarantee deposits	309,107	269,771
Balance at 31 December	1,131,205	650,859

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

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21. 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 88,23% of the investment shares and 100% of management shares and was the controlling and ultimate controlling party of the Fund. On 25 June 2019 an agreement was completed between Prodea Real Estate Investment Company Societe Anonyme and Bank of Cyprus Public Company Limited for the acquisition by Prodea Real Estate Investments Company Societe Anonyme of 100% of the management shares and 88,23% of the investment shares of the Fund. Prodea Real Estate Investment Company Societe Anonyme which is the controlling party of the Fund as at 31 December 2021 and 31 December 2022 is ultimately controlled by Castlake Opportunities Partners LLC.

The following balances and transactions were carried out with related parties:

21.1 Directors' fees

The remuneration of Directors was as follows:

	2022 €	2021 €
Directors' fees (Note 12)	<u>40,000</u>	<u>40,000</u>
	<u>40,000</u>	<u>40,000</u>

21.2 Advisory fees (Note 12)

Invel Real Estate Management Cyprus Ltd (company related to shareholders)

	2022 €	2021 €
	<u>868,016</u>	<u>848,567</u>
	<u>848,567</u>	<u>848,567</u>

21.3 Dividends payable

Dividends payable to shareholders (Note 15)

	2022 €	2021 €
	<u>705,191</u>	<u>435,622</u>
	<u>705,191</u>	<u>435,622</u>

22. Significant events after the end of the financial year

As explained in Note 2.1, the geopolitical situation in Eastern Europe intensified on 24 February 2022, with the commencement of the conflict between Russia and Ukraine. As at the date of authorising these financial statements for issue, the conflict continues to evolve as military activity proceeds and additional sanctions are imposed.

The Company has limited direct exposure in Russia, Ukraine and Belarus and therefore, it does not have and it does not expect a significant impact from direct and indirect exposure from these countries.

Except from the matters mentioned above, there were no other material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 14 to 16