

**CYREIT VARIABLE CAPITAL INVESTMENT
COMPANY PLC**

**REPORT AND CONSOLIDATED FINANCIAL
STATEMENTS**

For the year ended 31 December 2019

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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OFFICERS AND PROFESSIONAL ADVISORS

| | |
|----------------------|---|
| Board of Directors | Marios Kalochoritis (appointed 16/1/2018, resigned 27/3/2019, effective 25/6/2019) Constantinos Katsaros Kyriacos Mavros (resigned 1/11/2019) Michalis Xiouros (appointed 16/1/2018, resigned 27/3/2019, effective 25/6/2019) Anna Sofroniou (appointed 16/1/2018, resigned 27/3/2019, effective 25/6/2019) Spyridon Makrydakis (appointed 25/6/2019) Aristotelis Karytinis (appointed 25/6/2019) |
| Secretary | Cyproservus Co. Limited (appointed 25/6/2019) Makariou III 284 Fortuna Court Block B, Office 1C Lemesos 3105 Cyprus BoC Secretarial Company Limited (appointed 16/1/2018, resigned 25/6/2019) Stasinou 51 Agia Paraskevi, Strovolos CY-2002, Nicosia Cyprus |
| Independent Auditors | PricewaterhouseCoopers Limited |
| Registered Office | 4 Sotiri Tofini Street 4102 Limassol |
| Registration Number | HE 378761 |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

AIF MANAGER REPORT

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

Introduction

The Fund was incorporated on 16 January 2018 and is domiciled in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 with registration number HE 378761. Its registered office is 4 Sotiri Tofini, CY-4102, Limassol, Cyprus.

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

Incorporation

The Fund was incorporated on 16 January 2018.

Investment Strategy and Objectives of the Fund

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

The Fund is consolidating a high-quality portfolio of commercial real estate assets with strong income and potential for value creation. This portfolio will combine low-risk rental profile properties that generate recurring income with some potential value on leases for smaller size properties. The Fund considers the potential for value enhancement that may be realized following the improved management of the property, through amongst other things, repositioning or re-leasing strategies on smaller value assets of the portfolio that currently have shorter lease agreements in place. This core income generating business strategy on which the Fund is focused differs from (i) opportunistic strategies, which are generally exposed to a high degree of risk and leveraged rate of return, as they typically involve a significant amount of “value creation” through development and investments in distressed markets; and (ii) value creation strategies which typically entail investments in properties that are not fully leased or operational and with the aim of creating value through development, significant capital expenditure, active property management and maximizing operating efficiency and profitability at the property level in order to capture their cash flow and value.

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

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

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**AIF MANAGER REPORT****Investment Strategy and Objectives of the Fund (continued)**

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

Investment restrictions

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

AIFM Law Thresholds

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

Change of the Investment Strategy or Investment Policy

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

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

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

Risk management Operations and Key service Providers

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

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

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**AIF MANAGER REPORT****Risk management Operations and Key service Providers (continued)**

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

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

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

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

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

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

- (i) Accounting management services;
- (ii) Disclosure of information services and services to the Registered Holders;
- (iii) Net Asset Value (NAV) calculation and pricing, including tax returns;
- (iv) Assistance with regulatory compliance monitoring;
- (v) Maintenance of the Register;
- (vi) Distribution of profits;
- (vii) Issues and redemptions of Investment Shares;
- (viii) Contract settlements;
- (ix) Investor KYC/AML collection; and
- (x) Record keeping.

The administrative functions of the Fund are performed internally by the Board of Directors and/or via the fund hosting delegation services agreement with BOC Asset Management Limited. BOC Asset Management Ltd has nominated Mrs. Yianna Thrasyvoulou for such services.

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

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**AIF MANAGER REPORT****Valuation and Pricing Methodology**

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

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

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

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

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

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

Valuations of the Company's real estate assets will be made in accordance with the appropriate sections of the RICS Red Book at the date of valuation.

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

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

- (i) determining the NAV of the Fund; and
- (ii) dividing the amount calculated under (i) above by the number of Investment Shares in issue at the relevant Valuation Day; and
- (iii) deducting therefrom such amount as may be necessary to round the resulting amount to seven (7) decimal places.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**AIF MANAGER REPORT****Liquidity Risk Management and Redemption Rights**

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

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

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

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

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

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

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.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**AIF MANAGER REPORT****Liquidity Risk Management and Redemption Rights (continued)**

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

Fees, Charges and Expenses

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

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

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

The following fees and expenses are allocated to the Fund:

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

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.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**AIF MANAGER REPORT****Fair Treatment Principles (continued)**

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

- Acting in the best interests of the Fund and its Investors;
- Executing the investment decisions taken for the account of the Fund in accordance with the objectives, the investment policy and the risk profile of the Fund;
- Ensuring that the interests of any group of Investors (if any) are not placed above the interests of any other group of Investors;
- Ensuring that fair, correct and transparent pricing models and valuation systems are used for the Fund;
- Preventing undue costs being charged to the Fund and its Investors;
- Taking all reasonable steps to avoid conflicts of interests and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of Investors; and
- Recognizing and dealing with complaints fairly. The Board ensures that Investors are properly informed, are fairly and equitably treated and receive the benefits and services to which they are entitled.
- The Fund will take into account the interest of all Investors, in particular where Fund decisions may affect Investor groups differently; and
- The Fund will ensure each Investors' complaints are reviewed and, if it is upheld, that redress is provided within a reasonable time.

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

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

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.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**AIF MANAGER REPORT****Issue of Units (continued)**

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 2019 amounts to €191,8 million. The Fund's results for the period are set out on page 17.

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.

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.

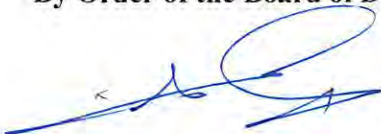
Professional insurance

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

On 30 June 2020 the Fund has received the approval of the Cyprus Securities and Exchange Commission to convert from an internally managed AIF to an externally managed AIF, as well as for the purpose of compliance with the new provisions of the AIF Law. The main changes implemented to the Company are as follows:

- (i) conversion of the Fund from an internally managed AIF to an externally managed AIF;
- (ii) appointment of Hellenic Bank as the new Depositary of the Fund;
- (iii) appointment of Byron Capital Partners Ltd as the External Manager of the Fund;
- (iv) amendment of the Memorandum and Articles of Association of the Fund and the Prospectus of the Fund to comply with the AIF Law and to incorporate amendments listed in points (i) to (iii) as aforementioned.

By Order of the Board of Directors

Aristotelis Karytinou
Director

3 July 2020

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**CONSOLIDATED MANAGEMENT REPORT AND REPORT ON THE ACTIVITIES AND PERFORMANCE OF THE PERIOD**

The Board of Directors of CYREIT 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 2019.

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 2019 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 €7,570,794 (2018: €1,142,035 loss).

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 €181,8 million which on an overall basis is lower predominately due to the revaluation losses arising in relation to a property for which rental income and hence the valuation is based on the tenant's turnover, for which an increase in turnover is experienced.

Cash and Other net Assets - The cash at bank as at 31 December 2019 amounts to €14,4m mainly due to the collection of rents. Other net assets refer mainly to trade and other receivables.

REVENUE

The Fund's revenue for the year ended 31 December 2019 was €9,310,636 (2018: €7,389,847).

DIVIDENDS

The Fund declared the payment of a final dividend of €5,150,000 during the year ended 31 December 2019.

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 19 of the consolidated financial statements.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**CONSOLIDATED MANAGEMENT REPORT AND REPORT ON THE ACTIVITIES AND PERFORMANCE OF THE PERIOD****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 2019 the Fund did not operate any branches.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**CONSOLIDATED MANAGEMENT REPORT AND REPORT ON THE ACTIVITIES AND PERFORMANCE OF THE PERIOD****BOARD OF DIRECTORS**

The members of the Fund's Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1.

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.

EVENTS AFTER THE REPORTING PERIOD

With the recent and rapid development of the Coronavirus Disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and every day life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations.

Governments, including the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures. Management has considered the unique circumstances and the risk exposures of the Fund and has concluded that there is no significant impact in the Fund's financial position. However, Management will continue to monitor and assess the situation closely.

Management has considered the unique circumstances and the risk exposures of the Fund and has concluded that there is no significant impact in the Fund's financial position as the properties are leased mainly to creditworthy tenants. The event is considered as non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

INDEPENDENT AUDITORS

The independent auditors of the Fund, Messrs PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be submitted at the forthcoming Annual General Meeting.

By order of the Board of Directors,



Aristotelis Karytinis
Director

3 July 2020

Independent auditor's report

To the Members of CYREIT Variable Capital Investment Company PLC

Report on the Audit of the Consolidated Financial Statements

We have audited the consolidated financial statements of CYREIT Variable Capital Investment Company PLC (the "Fund"), and its subsidiaries (the "Group") which are presented on pages 20 to 53 and comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

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

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

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

Responsibilities of the Board of Directors for the 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 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 scepticism 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 and 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 matter

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

George C. Kazamias

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors



Nicosia, 3 July 2020

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC


CONSOLIDATED STATEMENT OF FINANCIAL POSITIONAs at 31 December 2019

| | Note | 2019 € | 2018 € |
|--|------|--------------------|--------------------|
| Assets | | | |
| Non-current assets | | | |
| Investment properties | 14 | <u>181,802,750</u> | <u>183,054,844</u> |
| Current assets | | | |
| Trade and other receivables | | 1,605,576 | 598,135 |
| Cash at bank | 15 | <u>14,358,383</u> | <u>7,687,128</u> |
| | | <u>15,963,959</u> | <u>8,285,263</u> |
| Total current assets | | | |
| | | <u>197,766,709</u> | <u>191,340,107</u> |
| Total assets | | | |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 17 | 747,237 | 1,972,641 |
| Tax liability | | 82,716 | 1,504 |
| Payable dividends | 13 | <u>5,150,000</u> | - |
| Total current liabilities | | <u>5,979,953</u> | <u>1,974,145</u> |
| Net assets attributable to holders of investment shares | | <u>191,786,756</u> | <u>189,365,962</u> |
| Number of shares as at 31 December | | <u>175,393</u> | <u>175,393</u> |
| Net assets attributable to holders of investment shares per share | | <u>1,093.47</u> | <u>1,079.67</u> |

On 3 July 2020 the Board of Directors of CYREIT Variable Capital Investment Company PLC approved and authorised these consolidated financial statements for issue.



.....
Aristotelis Karytinou
Director



.....
Spyridon Makridakis
Director

The notes on pages 20 to 53 are an integral part of these consolidated financial statements.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

| | Note | 2019 € | Period 16/1/2018- 31/12/2018 € |
|--|------|--------------------|---|
| Income | | | |
| Revenue | 7 | 9,310,636 | 7,389,847 |
| Other income | 8 | <u>1,985,895</u> | <u>29,114</u> |
| Total income | | <u>11,296,531</u> | <u>7,418,961</u> |
| Expenses | | | |
| Operating expenses | 10 | (2,160,950) | (2,568,023) |
| Other losses - net | 9 | <u>(1,252,094)</u> | <u>(5,725,292)</u> |
| Total expenses | | <u>(3,413,044)</u> | <u>(8,293,315)</u> |
| Operating profit/(loss) | | <u>7,883,487</u> | <u>(874,354)</u> |
| Finance costs | 11 | <u>(7,547)</u> | <u>(17,063)</u> |
| Profit/(loss) before tax | | <u>7,875,940</u> | <u>(891,417)</u> |
| Tax | 12 | <u>(305,146)</u> | <u>(250,618)</u> |
| Increase /(Decrease) in net assets attributable to holders of investment shares | | <u>7,570,794</u> | <u>(1,142,035)</u> |

The notes on pages 20 to 53 are an integral part of these consolidated financial statements.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETSFor the year ended 31 December 2019

| | Note | € |
|---|------|--------------------|
| Transactions with owners | | |
| Issue of management shares | 16 | 125.000 |
| Issue of investment shares | 16 | <u>190.382.997</u> |
| Net increase from share transactions | | 190.507.997 |
| Decrease in net assets attributable to holders of investment shares in 2018 | | <u>(1.142.035)</u> |
| Net assets attributable to holders of investment shares as at 31 December 2018 | | 189.365.962 |
| Increase in net assets attributable to holders of investment shares in 2019 | | 7.570.794 |
| Dividends declared | 13 | <u>(5.150.000)</u> |
| Net assets attributable to holders of investment shares as at 31 December 2019 | | <u>191.786.756</u> |

The notes on pages 20 to 53 are an integral part of these consolidated financial statements.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

CONSOLIDATED STATEMENT OF CASH FLOWSFor the year ended 31 December 2019

| | Note | 2019 € | Period 16/1/2018- 31/12/2018 € |
|--|------|-------------|---|
| Cash flows from operating activities | | | |
| Profit/(loss) for the year/period | | 7.570.794 | (1.142.035) |
| Adjustments for: | | | |
| Net loss from fair value adjustment on investment property | 9 | 1.252.094 | 5.399.914 |
| Impairment charge on rental income receivables | 9 | - | 325.378 |
| Interest income | | - | (214) |
| Interest expense | | - | 17.063 |
| Income tax expense | 12 | 305.146 | 250.618 |
| Cash generated from operations before working capital changes | | 9.128.034 | 4.850.724 |
| Increase in trade and other receivables | | (1.007.441) | (938.447) |
| (Decrease)/increase in trade and other payables | | (1.225.404) | 3.915.814 |
| Cash generated from operations | | 6.895.189 | 7.828.091 |
| Tax paid | | (223.934) | (249.114) |
| Net cash generated from operating activities | | 6.671.255 | 7.578.977 |
| Cash flows from investing activities | | | |
| Interest received | | - | 214 |
| Net cash generated from investing activities | | - | 214 |
| Cash flows from financing activities | | | |
| Proceeds from issue of management shares | | - | 125.000 |
| Interest paid | | - | (17.063) |
| Net cash generated from financing activities | | - | 107.937 |
| Net increase in cash and cash equivalents | | 6.671.255 | 7.687.128 |
| Cash and cash equivalents at beginning of the year/period | | 7.687.128 | - |
| Cash and cash equivalents at end of the year/period | 15 | 14.358.383 | 7.687.128 |

The notes on pages 20 to 53 are an integral part of these consolidated financial statements.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

1. Reporting entity

CYREIT 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 4 Sotiri Tofini Street, 4102 Limassol.

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.

The Fund did not employ any personnel as of 31 December 2019.

Investment Manager, Depository and Fund Administrator

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

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

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. Reporting entity (continued)

Group structure - subsidiary companies

The Fund holds 100% of the share capital of the following companies: Smooland Properties Ltd, Threefield Properties Ltd, Vameron Properties Ltd, Bascot Properties Ltd, Vanemar Properties Ltd, Consoly Properties Ltd, Alomnia Properties Ltd, Artozaco Properties Ltd, Elizano Properties Ltd, Letimo Properties Ltd, Allodica Properties Ltd, Wiceco Properties Ltd, Primaco Properties Ltd, Arleta Properties Ltd, Kuvana Properties Ltd, Nuca Properties Ltd, Orleania Properties Ltd, Ravenica Properties Ltd, Rouena Properties Ltd, Lancast Properties Ltd and Azemo Properties Ltd. These subsidiaries are incorporated in Cyprus and each holds an investment property. These subsidiaries were transferred to the Fund by Bank of Cyprus Public Company Limited in exchange for the issue of investment shares as disclosed in Note 18.

2. Basis of preparation

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

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

The principal accounting policies applied in the preparation of these financial statements are set out below in Note 6. These policies have been consistently applied during the reporting period.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

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 and revised IFRSs and interpretations by the European Union (EU)

During the current year the Fund adopted all the changes to International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019 . This adoption did not have a material effect on the accounting policies of the Fund.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

4. Adoption of new and revised IFRSs and interpretations by the European Union (EU)
(continued)

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

5. Critical accounting estimates and judgements

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

5.1 Critical accounting estimates and assumptions

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

- Fair value of investment properties

The fair value of the investment properties is determined by using external management's experts. The experts exercise judgement for the fair value and apply estimates on deriving the appropriate fair value. The management uses the average of the two valuations performed by each expert. Valuations are primarily based on income approach. Further details on the valuation methodologies, assumptions used and sensitivity analysis are disclosed in Note 14.

5.2 Measurement of fair values

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

5. Critical accounting estimates and judgements (continued)

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

If the inputs used to measure the fair value of an asset or 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.

Further information about the assumptions made in measuring fair values is included in notes:

- Note 14 – Investment property
- Note 19 - Financial instruments

6. Significant accounting policies

The following accounting policies have been applied consistently for all the years presented in these consolidated financial statements. The accounting policies have been consistently applied by all companies of the Group.

6.1 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 2019. The financial statements of the subsidiaries are prepared as of the same reporting date as that of the Fund, using consistent accounting policies.

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

- 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.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.1 Basis of consolidation (continued)**

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. Noncontrolling 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.

6.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Fund, liabilities incurred by the Fund to the former owners of the acquiree and the equity interests issued by the Fund in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.2 Business combinations (continued)**

When the consideration transferred by the Fund in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Fund's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Fund obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Fund reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

6.3 Revenue recognition

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

6.4 Finance income

Interest income on financial assets at amortised cost is calculated using the effective interest method and 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.

6.5 Finance costs

Interest expense and other borrowing costs are recognised in profit or loss using the effective interest method. The effective interest rate is applied to the amortised cost of the liability.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.6 Foreign currency translation****(i) Functional and presentation currency**

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

(ii) Transactions and balances

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

6.7 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 income.

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

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

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.8 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.

6.9 Investment properties

Investment property, principally comprising office and commercial buildings, is held for long-term rental yields and/or for capital appreciation and is not occupied by the Fund. Investment property is carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recorded in profit or loss and are included in other operating income.

An investment property is 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. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

6.10 Financial instruments***6.10.1 Recognition and initial measurement***

Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

6.10.2 Classification and subsequent measurement

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

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Significant accounting policies (continued)

6.10 Financial instruments (continued)

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

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

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 "impairment losses on financial assets".

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

Expected 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 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.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Significant accounting policies (continued)

6.10 Financial instruments (continued)

(i) 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.

(ii) 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.

6.10.2.1 Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

The financial liabilities of the Fund are measured as follows:

(i) Borrowings

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

(ii) Trade and other payables

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

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. Significant accounting policies (continued)**6.11 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.

6.12 Share capital

Ordinary shares are classified as equity.

6.13 Comparatives

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

7. Revenue

| | 2019 | Period 16/1/2018- 31/12/2018 |
|-------------------------------------|------------------|------------------------------------|
| | € | € |
| Rental income | <u>9.310.636</u> | <u>7.389.847</u> |
| | <u>9.310.636</u> | <u>7.389.847</u> |
| 7.1 Analysis of rental income: | | |
| | 2019 | 2018 |
| | € | € |
| Investment properties rental income | 8.041.691 | 6.417.347 |
| Usage right income | 1.183.606 | 972.500 |
| Parking rental income | <u>85.339</u> | <u>-</u> |
| | <u>9.310.636</u> | <u>7.389.847</u> |

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

| | 2019 | 2018 |
|---|-------------------|-------------------|
| | € | € |
| No later than 1 year | 9.386.780 | 8.440.760 |
| Later than 1 year and no later than 5 years | 21.410.115 | 25.051.738 |
| Later 5 years | <u>49.616.643</u> | <u>10.089.144</u> |
| | <u>80.413.538</u> | <u>43.581.642</u> |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. Other operating income

| | 2019 | Period 16/1/2018- 31/12/2018 |
|---|------------------|------------------------------------|
| | € | € |
| Income arising from VAT receivable | 582.717 | - |
| Reversal of accounting fees of prior year | 1.000.000 | - |
| Insurance claim | 229.231 | - |
| Interest income on bank balances | - | 214 |
| Bad debts recovered | 4.500 | - |
| Sundry operating income | 169.447 | 28.900 |
| | <u>1.985.895</u> | <u>29.114</u> |

9. Other losses

| | 2019 | Period 16/1/2018- 31/12/2018 |
|--|------------------|------------------------------------|
| | € | € |
| Impairment loss on rental income receivable | - | 325.378 |
| Fair value loss on investment property (Note 14) | 1.252.094 | 5.399.914 |
| | <u>1.252.094</u> | <u>5.725.292</u> |

10. Expenses by nature

| | 2019 | Period 16/1/2018- 31/12/2018 |
|---|------------------|------------------------------------|
| | € | € |
| Director fees (Note 18) | 43.000 | 46.000 |
| Independent auditors' remuneration - current year | 90.000 | 105.000 |
| Independent auditors' remuneration - prior years | 86.426 | - |
| Accounting fees (Note 18) | - | 1.000.000 |
| Asset management fees | 577.354 | 442.126 |
| Administration fees (Note 18) | 194.506 | 153.407 |
| Legal fees | 26.158 | 23.800 |
| Insurance expenses (Note 18) | 193.741 | 139.635 |
| Other operating expenses | 829.888 | 485.382 |
| Other professional fees | 118.902 | 168.740 |
| CySEC annual fees | 975 | 3.933 |
| Total operating expenses | <u>2.160.950</u> | <u>2.568.023</u> |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. Net finance expenses

| | 2019 | Period 16/1/2018- 31/12/2018 |
|------------------|--------------|------------------------------------|
| | € | € |
| Interest expense | - | 17.063 |
| Bank charges | 7.547 | - |
| | <u>7.547</u> | <u>17.063</u> |

12. Taxation

| | 2019 | Period 16/1/2018- 31/12/2018 |
|--|----------------|------------------------------------|
| | € | € |
| Corporation tax - current year/period | 146.291 | 75.284 |
| Taxation prior year | (14.101) | - |
| Special contribution to the defence fund - current year/period | <u>172.956</u> | <u>175.334</u> |
| Charge for the year/period | <u>305.146</u> | <u>250.618</u> |

Reconciliation of tax based on the taxable income and tax based on accounting profits:

| | 2019 | 2018 |
|---|------------------|------------------|
| | € | € |
| Accounting profit/(loss) before tax | <u>7.875.940</u> | <u>(891.417)</u> |
| Tax calculated at the applicable tax rates | 984.493 | (111.427) |
| Tax effect of expenses not deductible for tax purposes | 287.639 | 893.510 |
| Tax effect of allowances and income not subject to tax | (979.756) | (706.799) |
| Special contribution to the defence fund | 172.956 | 175.334 |
| Tax effect of tax losses brought forward | (146.085) | - |
| Prior year tax | <u>(14.101)</u> | <u>-</u> |
| Tax as per consolidated statement of profit or loss and other comprehensive income - charge | <u>305.146</u> | <u>250.618</u> |

The corporation tax rate is 12,5%. 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%.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

13. Dividends

| | 2019 | 2018 |
|-------------------------|------------------|----------|
| | € | € |
| Final dividend declared | <u>5.150.000</u> | - |
| | <u>5.150.000</u> | <u>-</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 above dividend declared was payable to the shareholder as at 31 December 2019.

14. Investment property

| | 2019 | 2018 |
|--|--------------------|--------------------|
| | € | € |
| Balance at 1 January/16 January | 183.054.844 | - |
| Additions | - | 188.454.758 |
| Net loss from fair value adjustment on investment properties | <u>(1.252.094)</u> | <u>(5.399.914)</u> |
| Balance at 31 December | <u>181.802.750</u> | <u>183.054.844</u> |

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

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

The Fund's policy is to recognize transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the period, there were no transfers into and out of Level 3.

Valuation processes

The Fund's investment properties were valued at 31 December 2019 by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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14. Investment property (continued)

Information about fair value measurement using significant unobservable inputs (Level 3) - 31 December 2019

| Property | Valuation € | Valuation Technique | Monthly Rent (Average) € | Discount rate % | Capitalisation rate of terminal value/ Exit yield % | Initial Yield % |
|------------------------------|--------------|---|--------------------------|-----------------|---|-----------------|
| Leroy Merlin - DIY | € 28.362.500 | Income approach (yield) Market Approach (Comparison) | € 132.250 | 5,75 | 5,5 – 5,75 | 4,5 |
| Ellinas House | € 7.017.500 | Income approach (yield) Income approach (DCF) | € 30.000 | 5,5 | 5,25 | N/A |
| Ministry of Education | € 5.755.000 | Income Approach (Yield) Market Approach (Comparison) | € 20.000 | 5 | 5 | 4,75 |
| Unicars Service Centre | € 6.605.000 | Income approach (yield) Market Approach (Comparison) | € 22.000 | 5 | 4,25 – 5 | 4,5 |
| Althea Hotel | € 23.667.500 | Income approach (yield) Income Approach (DCF) | € 122.917 | N/A | 6,5 – 7 | 4,5 – 6,75 |
| Diapo Distribution Centre | € 4.611.250 | Income Approach (yield) and Market Approach (Comparison) | € 22.500 | N/A | 5,5 – 6,25 | N/A |
| University of Nicosia | € 7.872.000 | Income approach (yield) Income Approach (DCF) and Market Approach (Comparison) | € 24.741 | 4 – 5,5 | 5 – 5,25 | N/A |
| Gloria Jean's Coffees Ledras | € 1.275.000 | Income approach (DCF) and Market Approach (Comparison) | € 7.500 | 6 | 5,5 | N/A |
| Printco Strovolos | € 1.945.000 | Income approach (yield) | € 7.152 | 5 | 4,75 - 6 | 4,5 |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

| | | | | | | |
|--|----------------------|--|----------|-------------|-------------|-----------|
| Irida 3 Building | € 15.319.500 | Income Approach (yield) Market Approach (Comparison) | € 66.640 | 4,75 – 6,25 | 4,75 – 5,25 | 5 – 6,25 |
| Bank of Cyprus Kaimakli | € 4.950.000 | Income approach (yield) Income approach (DCF) and Market Approach (Comparison)) | € 15.200 | 6,25 | 5 - 6 | 5 |
| N.P. Lanitis | € 2.957.000 | Income Approach (Yield) and Market Approach (Comparison) and Cost Approach | € 12.421 | N/A | 6 | N/A |
| Shacolas Tower | € 13.317.500 | Income approach (yield) and Market Approach (Comparison) | € 51.758 | N/A | 3 – 6,5 | 5 |
| Superhome Centre – DIY | € 10.730.000 | Income approach (yield) and Market Approach (Comparison) | € 52.516 | N/A | 5,75 – 6 | N/A |
| D. Nicolaou Zakaki | € 15.242.500 | Income approach (yield) and Market Approach (Comparison) | € 51.965 | N/A | 5,5 – 6 | N/A |
| Athinodorou Business Centre Paphos | € 2.415.000 | Income Approach (yield) and Market Approach (Comparison) | € 10.150 | 5 – 5,5 | 5 – 5,5 | 4,5 |
| Afentico Anna Commercial Building | € 2.672.000 | Income approach (yield) and Market Approach (Comparison) | € 7.396 | N/A | 5,5 | N/A |
| Orphanides Zakaki | € 7.845.000 | Income approach (yield) and Market Approach (Comparison) | € 25.000 | 4,5 - 6 | 6 | 4,5 - 5 |
| Shop Armenias Branch | € 625.000 | Market Approach (Comparison) | N/A | N/A | N/A | N/A |
| TNT Express Warehouse | € 1.798.500 | Income approach (DCF) | € 7.560 | 6 | 6 | N/A |
| Debenhams Apollon | € 16.820.000 | Income approach (yield) and Market Approach (Comparison) | € 94.195 | 6 | 6 | 6,5 – 7,5 |
| Total | € 181.802.750 | | | | | |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

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

| Property | Valuation € | Valuation Technique | Monthly Rent (Average) € | Discount rate % | Capitalisation rate of terminal value/ Exit yield % | Initial Yield % |
|------------------------------|--------------|---|--------------------------|-----------------|---|-----------------|
| Leroy Merlin - DIY | € 28.925.000 | Income approach (yield) | € 111.111 | N/A | 5,25 – 5,75 | 4 – 4,75 |
| Ellinas House | € 6.993.750 | Income approach (yield) Income approach (DCF) | € 30.000 | 5 - 5,3 | 5 - 6 | N/A |
| Ministry of Education | € 5.595.500 | Income Approach (Yield) Income Approach (DCF) | € 20.000 | 5 | 5 - 6 | 4,75 |
| Unicars Service Centre | € 8.087.500 | Income approach (yield) Market Approach (Comparison) | € 35.000 | N/A | 4 – 6,25 | N/A |
| Althea Hotel | € 22.635.094 | Income approach (yield) and Income Approach (DCF) | € 116.667 | 4,5 - 6 | 6,5 – 7,5 | N/A |
| Diapo Distribution Centre | € 4.556.250 | Income Approach (yield) and Income Approach (DCF) | € 22.500 | N/A | 5,5 – 6,25 | N/A |
| University of Nicosia | € 8.213.500 | Income approach (DCF) and Income Approach (yield) | € 23.109 | 5 – 5,3 | 5,5 – 6,25 | N/A |
| Gloria Jean's Coffees Ledras | € 1.273.750 | Income Approach (yield) And Income Approach (DCF) | € 6.750 | 5 - 6 | 5,5 | 5 |
| Printco Strovolos | € 1.965.000 | Income approach (yield) and Market approach (Comparison) | € 7.159 | N/A | 4,5 - 6 | 4,5 |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

| | | | | | | |
|------------------------------------|-----------------------------|--|----------|-----------|-----------|------------|
| Irida 3 Building | € 15.237.500 | Income Approach (yield) and Market Approach (Comparison) | € 66.649 | N/A | 5 – 6 | 4,5 – 6,25 |
| Bank of Cyprus Kaimakli | € 4.967.500 | Income approach (yield) and Income Approach (DCF) | € 15.200 | 5 | 6 | 5 |
| N.P. Lanitis | € 3.100.000 | Income approach (yield) and Market Approach (Comparison) | € 11.633 | N/A | 5 | 4,5 |
| Shacolas Tower | € 13.575.000 | Income Approach (yield) and Market Approach (Comparison) | € 50.112 | N/A | 2,5 – 5,5 | N/A |
| Superhome Centre – DIY | € 10.512.500 | Income Approach (yield) and Market Approach (Comparison) | € 49.501 | N/A | 5,75 | 4,75 |
| D. Nicolaou Zakaki | € 14.910.000 | Income Approach (yield) and Market Approach (Comparison) | € 59.048 | N/A | 5 – 5,5 | 4 – 6 |
| Athinodorou Business Centre Paphos | € 2.672.500 | Income Approach (yield) and Market Approach (Comparison) | € 4.200 | N/A | 4,5 | N/A |
| Afentico Anna Commercial Building | € 2.814.000 | Income Approach (yield) and Market Approach (Comparison) Market Approach (Comparison) | € 3.922 | N/A | 4,9 – 5,2 | 5 |
| Orphanides Zakaki | € 7.817.500 | Income approach (yield) and Market Approach (Comparison) | € 25.000 | N/A | 6 | 4,5 - 5 |
| Shop Armenias Branch | € 625.000 | Market Approach (Comparison) | N/A | N/A | N/A | N/A |
| TNT Express Warehouse | € 1.833.000 | Income approach (yield) and Income Approach (DCF) | € 6.233 | 6 | 5 - 6 | 5 |
| Debenhams Apollon | € 16.745.000 | Income Approach (yield) and Market Approach (Comparison) | € 94.915 | 6,5 – 7,5 | 6 | 6,5 – 7,5 |
| Total | <u>€ 183.054.844</u> | | | | | |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

| Property | | Sensitivity of management's estimates – 31 December 2019 | | | |
|---------------------------|-------------|--|-------------|------------------------|-------------|
| | | | -0,5% | 0% | 0,5% |
| Leroy Merlin - DIY | Annual Rent | | | All risks yield | |
| | | -10% | €28.031.075 | €25.526.250 | €23.432.361 |
| | | 0% | €31.145.639 | €28.362.500 | €26.035.957 |
| | | 10% | €34.260.202 | €31.198.750 | €28.639.552 |
| Ellinas House | Annual Rent | | | All risks yield | |
| | | -10% | €6.997.792 | €6.315.750 | €5.754.852 |
| | | 0% | €7.775.324 | €7.017.500 | €6.394.280 |
| | | 10% | €8.552.857 | €7.719.250 | €7.033.708 |
| Ministry of Education | Annual Rent | | | All risks yield | |
| | | -10% | €5.885.099 | €5.179.500 | €4.624.984 |
| | | 0% | €6.538.999 | €5.755.000 | €5.138.871 |
| | | 10% | €7.192.899 | €6.330.500 | €5.652.758 |
| Unicars Service Centre | Annual Rent | | | All risks yield | |
| | | -10% | €6.794.450 | €5.944.500 | €5.283.555 |
| | | 0% | €7.549.388 | €6.605.000 | €5.870.617 |
| | | 10% | €8.304.327 | €7.265.500 | €6.457.679 |
| Althea Hotel | Annual Rent | | | All risks yield | |
| | | -10% | €23.158.743 | €21.300.750 | €19.718.743 |
| | | 0% | €25.731.937 | €23.667.500 | €21.909.714 |
| | | 10% | €28.305.131 | €26.034.250 | €24.100.686 |
| Diapo Distribution Centre | Annual Rent | | | All risks yield | |
| | | -10% | €4.537.607 | €4.150.125 | €3.823.613 |
| | | 0% | €5.041.786 | €4.611.250 | €4.248.459 |
| | | 10% | €5.545.964 | €5.072.375 | €4.673.305 |
| University of Nicosia | Annual Rent | | | All risks yield | |
| | | -10% | €8.167.608 | €7.084.800 | €6.255.488 |
| | | 0% | €9.075.120 | €7.872.000 | €6.950.543 |
| | | 10% | €9.982.632 | €8.659.200 | €7.645.597 |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

| | | | | | |
|------------------------------|--------------------|-------------|--------------|------------------------|-------------|
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €1.234.978 | €1.147.500 | €1.071.595 |
| Gloria Jean's Coffees Ledras | Annual Rent | 0% | €1.372.197 | €1.275.000 | €1.190.661 |
| | | 10% | €1.509.417 | €1.402.500 | €1.309.728 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €1.974.203 | €1.750.500 | €1.572.334 |
| Printco Strovolos | Annual Rent | 0% | €2.193.559 | €1.945.000 | €1.747.037 |
| | | 10% | €2.412.915 | €2.139.500 | €1.921.741 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €15.248.091 | €13.787.550 | €12.582.347 |
| Irida 3 Building | Annual Rent | 0% | €16.942.324 | €15.319.500 | €13.980.386 |
| | | 10% | €18.636.556 | €16.851.450 | €15.378.425 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €5.154.405 | €4.455.000 | €3.922.723 |
| Bank of Cyprus Kaimakli | Annual Rent | 0% | €5.727.117 | €4.950.000 | €4.358.581 |
| | | 10% | €6.299.829 | €5.445.000 | €4.794.439 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €2.954.353 | €2.661.300 | €2.421.139 |
| N.P. Lanitis | Annual Rent | 0% | €3.282.614 | €2.957.000 | €2.690.154 |
| | | 10% | €3.610.876 | €3.252.700 | €2.959.169 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €13.425.045 | €11.985.750 | €10.825.185 |
| Shacolas Tower | Annual Rent | 0% | €14.916.716 | €13.317.500 | €12.027.984 |
| | | 10% | €16.408.388 | €14.649.250 | €13.230.782 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €10.555.630 | €9.657.000 | €8.899.372 |
| Superhome Centre – DIY | Annual Rent | 0% | €11.728.478 | €10.730.000 | €9.888.191 |
| | | 10% | €12.901.326 | €11.803.000 | €10.877.010 |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

| | | | | | |
|------------------------------------|--------------------|-------------|--------------|------------------------|-------------|
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| D. Nicolaou Zakaki | Annual Rent | -10% | €15.628.305 | €13.718.250 | €12.224.233 |
| | | 0% | €17.364.784 | €15.242.500 | €13.582.481 |
| | | 10% | €19.101.262 | €16.766.750 | €14.940.729 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| Athinodorou Business Centre Paphos | Annual Rent | -10% | €2.412.689 | €2.173.500 | €1.977.459 |
| | | 0% | €2.680.766 | €2.415.000 | €2.197.176 |
| | | 10% | €2.948.842 | €2.656.500 | €2.416.894 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| Afentico Anna Commercial Building | Annual Rent | -10% | €2.830.948 | €2.404.800 | €2.090.164 |
| | | 0% | €3.145.497 | €2.672.000 | €2.322.404 |
| | | 10% | €3.460.047 | €2.939.200 | €2.554.645 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| Orphanides Zakaki | Annual Rent | -10% | €8.122.519 | €7.060.500 | €6.244.086 |
| | | 0% | €9.025.022 | €7.845.000 | €6.937.873 |
| | | 10% | €9.927.524 | €8.629.500 | €7.631.660 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| TNT Express Warehouse | Annual Rent | -10% | €1.796.751 | €1.618.650 | €1.472.673 |
| | | 0% | €1.996.389 | €1.798.500 | €1.636.304 |
| | | 10% | €2.196.028 | €1.978.350 | €1.799.934 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| Debenhams Apollon | Annual Rent | -10% | €16.354.833 | €15.138.000 | €14.089.697 |
| | | 0% | €18.172.037 | €16.820.000 | €15.655.219 |
| | | 10% | €19.989.241 | €18.502.000 | €17.220.741 |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

| Property | | Sensitivity of management's estimates – 31 December 2018 | | | |
|---------------------------|-------------|--|-------------|------------------------|-------------|
| | | | -0,5% | 0% | 0,5% |
| Leroy Merlin - DIY | Annual Rent | -10% | €29.199.762 | €26.032.500 | €23.485.101 |
| | | 0% | €32.444.180 | €28.925.000 | €26.094.556 |
| | | 10% | €35.688.598 | €31.817.500 | €28.704.012 |
| | | | | All risks yield | 0,5% |
| Ellinas House | Annual Rent | -10% | €6.971.560 | €6.294.375 | €5.737.099 |
| | | 0% | €7.746.178 | €6.993.750 | €6.374.555 |
| | | 10% | €8.520.796 | €7.693.125 | €7.012.010 |
| | | | | All risks yield | 0,5% |
| Ministry of Education | Annual Rent | -10% | €5.700.470 | €5.035.950 | €4.510.185 |
| | | 0% | €6.333.856 | €5.595.500 | €5.011.316 |
| | | 10% | €6.967.242 | €6.155.050 | €5.512.448 |
| | | | | All risks yield | 0,5% |
| Unicars Service Centre | Annual Rent | -10% | €8.054.207 | €7.278.750 | €6.639.500 |
| | | 0% | €8.949.119 | €8.087.500 | €7.377.223 |
| | | 10% | €9.844.031 | €8.896.250 | €8.114.945 |
| | | | | All risks yield | 0,5% |
| Althea Hotel | Annual Rent | -10% | €22.163.254 | €20.371.585 | €18.847.925 |
| | | 0% | €24.625.837 | €22.635.094 | €20.942.139 |
| | | 10% | €27.088.421 | €24.898.603 | €23.036.353 |
| | | | | All risks yield | 0,5% |
| Diapo Distribution Centre | Annual Rent | -10% | €4.478.498 | €4.100.625 | €3.781.556 |
| | | 0% | €4.976.109 | €4.556.250 | €4.201.729 |
| | | 10% | €5.473.720 | €5.011.875 | €4.621.902 |
| | | | | All risks yield | 0,5% |
| University of Nicosia | Annual Rent | -10% | €8.677.160 | €7.392.150 | €6.438.644 |
| | | 0% | €9.641.289 | €8.213.500 | €7.154.049 |
| | | 10% | €10.605.417 | €9.034.850 | €7.869.454 |
| | | | | All risks yield | 0,5% |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

| | | | | | |
|------------------------------|--------------------|-------------|--------------|------------------------|-------------|
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €1.244.202 | €1.146.375 | €1.062.810 |
| Gloria Jean's Coffees Ledras | Annual Rent | 0% | €1.382.447 | €1.273.750 | €1.180.900 |
| | | 10% | €1.520.692 | €1.401.125 | €1.298.990 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €1.996.876 | €1.768.500 | €1.587.000 |
| Printco Strovolos | Annual Rent | 0% | €2.218.751 | €1.965.000 | €1.763.334 |
| | | 10% | €2.440.626 | €2.161.500 | €1.939.667 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €15.197.255 | €13.746.150 | €12.548.007 |
| Irida 3 Building | Annual Rent | 0% | €16.885.839 | €15.273.500 | €13.942.230 |
| | | 10% | €18.574.423 | €16.800.850 | €15.336.454 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €5.175.501 | €4.470.750 | €3.934.929 |
| Bank of Cyprus Kaimakli | Annual Rent | 0% | €5.750.556 | €4.967.500 | €4.372.143 |
| | | 10% | €6.325.612 | €5.464.250 | €4.809.357 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €3.138.480 | €2.790.000 | €2.511.173 |
| N.P. Lanitis | Annual Rent | 0% | €3.487.200 | €3.100.000 | €2.790.192 |
| | | 10% | €3.835.920 | €3.410.000 | €3.069.211 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €13.771.972 | €12.217.500 | €10.978.350 |
| Shacolas Tower | Annual Rent | 0% | €15.302.192 | €13.575.000 | €12.198.167 |
| | | 10% | €16.832.411 | €14.932.500 | €13.417.983 |
| | | | | All risks yield | |
| | | | -0,5% | 0% | 0,5% |
| | | -10% | €10.379.723 | €9.461.250 | €8.692.109 |
| Superhome Centre – DIY | Annual Rent | 0% | €11.533.026 | €10.512.500 | €9.657.899 |
| | | 10% | €12.686.329 | €11.563.750 | €10.623.689 |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

| | | | All risks yield | | |
|------------------------------------|-------------|------|-----------------|-------------|-------------|
| | | | -0,5% | 0% | 0,5% |
| D. Nicolaou Zakaki | Annual Rent | -10% | €14.996.832 | €13.419.000 | €12.141.573 |
| | | 0% | €16.663.147 | €14.910.000 | €13.490.636 |
| | | 10% | €18.329.461 | €16.401.000 | €14.839.700 |
| Athinodorou Business Centre Paphos | Annual Rent | -10% | €3.273.023 | €2.405.250 | €1.901.190 |
| | | 0% | €3.636.693 | €2.672.500 | €2.112.433 |
| | | 10% | €4.000.362 | €2.939.750 | €2.323.676 |
| Afentico Anna Commercial Building | Annual Rent | -10% | €3.612.605 | €2.532.600 | €1.949.722 |
| | | 0% | €4.014.005 | €2.814.000 | €2.166.357 |
| | | 10% | €4.415.406 | €3.095.400 | €2.382.993 |
| Orphanides Zakaki | Annual Rent | -10% | €8.089.781 | €7.035.750 | €6.224.721 |
| | | 0% | €8.988.646 | €7.817.500 | €6.916.356 |
| | | 10% | €9.887.510 | €8.599.250 | €7.607.992 |
| TNT Express Warehouse | Annual Rent | -10% | €1.880.071 | €1.649.700 | €1.469.622 |
| | | 0% | €2.088.968 | €1.833.000 | €1.632.914 |
| | | 10% | €2.297.865 | €2.016.300 | €1.796.205 |
| Debenhams Apollon | Annual Rent | -10% | €16.276.074 | €15.070.500 | €14.031.204 |
| | | 0% | €18.084.527 | €16.745.000 | €15.590.227 |
| | | 10% | €19.892.979 | €18.419.500 | €17.149.250 |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

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

Valuation techniques underlying management's estimation of fair value

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

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

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. Investment property (continued)

The following amounts have been recognised in profit or loss:

| | 2019 | For the period from 16 January 2018 to 31 December 2018 |
|--|-------------|--|
| | € | € |
| Rental income (Note 7) | 9.310.636 | 7.389.847 |
| Direct operating expenses arising from investment properties that generate rental income | (1.023.629) | (632.958) |
| Revaluation loss (Note 9) | (1.252.094) | (5.399.914) |

15. Cash at bank

| | 2019 | 2018 |
|--------------|-------------------|------------------|
| | € | € |
| Cash at bank | <u>14.358.383</u> | <u>7.687.128</u> |

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents include the following:

| | 2019 | 2018 |
|---------------------------|-------------------|------------------|
| | € | € |
| Cash and cash equivalents | <u>14.358.383</u> | <u>7.687.128</u> |

Cash and cash equivalents are denominated in the following currency:

| | 2019 | 2018 |
|------|-------------------|------------------|
| | € | € |
| Euro | <u>14.358.383</u> | <u>7.687.128</u> |

The exposure of the Fund to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 19 to the consolidated financial statements.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

16. Share capital**Share Capital**

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

The 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 property into the Fund by Bank of Cyprus Public Company Limited in February 2018 (Note 14).

Management shares

The Management Shares are held as at 31 December 2019 by Prodea Real 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).

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.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

16. Share capital (continued)

Investment shares

The 88,23% of Investment Shares are held by Prodea Real 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.

17. Trade and other payables

| | 2019 | 2018 |
|-------------------------|----------------|------------------|
| | € | € |
| Trade payables | 491.216 | 1.717.793 |
| Rent guarantee deposits | <u>256.021</u> | <u>254.848</u> |
| | <u>747.237</u> | <u>1.972.641</u> |

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

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. 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 Investment Company Societe Anonyme and Bank of Cyprus Public Company Limited for the acquisition by Prodea Investments of 100% of the management shares and 88,23% of the investment shares of the Fund. Prodea Investments which is the controlling party of the Fund as at 31 December 2019 is controlled by Invel Real Estate (Netherlands) II B.V. from 23 May 2019.

The following transactions were carried out with related parties:

(i) Directors' remuneration

The total remuneration of the Directors was as follows:

| | 2019 | Period 16/1/2018- 31/12/2018 |
|----------------|---------------|------------------------------------|
| | € | € |
| Fees (Note 10) | <u>43.000</u> | <u>46.000</u> |
| | <u>43.000</u> | <u>46.000</u> |

(ii) Insurance expenses¹

| | 2019 | Period 16/1/2018- 31/12/2018 |
|------------|----------------|------------------------------------|
| | € | € |
| Insurances | <u>100.778</u> | <u>139.365</u> |
| | <u>100.778</u> | <u>139.365</u> |

(iii) Administration fees¹

| | 2019 | Period 16/1/2018- 31/12/2018 |
|---|---------------|------------------------------------|
| | € | € |
| Administration fees – Bank of Cyprus Asset Management Limited | <u>94.154</u> | <u>153.407</u> |
| | <u>94.154</u> | <u>153.407</u> |

¹ Bank of Cyprus Public Company Limited and its subsidiaries are considered as related parties until 24.06.2019, as the sale of the Fund's shares held by Bank of Cyprus Public Company Limited was concluded on 25.06.2019.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

18. Related party transactions (continued)**(iv) Accounted and related service fees**

| | 2019 | Period 16/1/2018- 31/12/2018 |
|--|------|------------------------------------|
| | € | € |
| Accounting and related services fees – Bank of Cyprus Asset Management Limited (Note 10) | - | <u>1.000.000</u> |

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

19. Financial instruments - fair values and risk management**Financial risk factors**

The Fund is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market price risk
- Other risks

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

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.

A. Financial risk management**(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.

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.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

19. Financial instruments - fair values and risk management (continued)**(i) Credit risk (continued)**

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 its financial position, past experience and other factors. Especially,

Cash at bank

| | 2019 | 2018 |
|------------------------|-------------------|------------------|
| | € | € |
| B3/Caa1 ^[1] | <u>14.358.383</u> | <u>7.687.128</u> |

^[1] As per Moody's rating as at 31 December 2019/ 31 December 2018

(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.

| 31 December 2019 | Carrying amounts € | Contractual cash flows € | Between 12 months € |
|--------------------------|--------------------------|--------------------------------|---------------------------|
| Trade and other payables | <u>747.237</u> | <u>747.237</u> | <u>747.237</u> |
| | <u>747.237</u> | <u>747.237</u> | <u>747.237</u> |
| 31 December 2018 | Carrying amounts € | Contractual cash flows € | Between 12 months € |
| Trade and other payables | <u>1.972.641</u> | <u>1.972.641</u> | <u>1.972.641</u> |
| | <u>1.972.641</u> | <u>1.972.641</u> | <u>1.972.641</u> |

^[1] As per Moody's rating as at 14 June 2019

^[1] As per Moody's rating as at 14 June 2019

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2019

19. Financial instruments - fair values and risk management (continued)**(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) Other risks

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many governments are taking increasingly stringent steps to help contain, and in many jurisdictions, now delay, the spread of the virus, including: requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures have slowed down both the broader Cyprus and world economies.

Capital 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.

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. Fair values estimation

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

-Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

-Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

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

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

| | 2019 | | 2018 | |
|-----------------------|--------------------|--------------------|--------------------|--------------------|
| | Level 3 | Total | Level 3 | Total |
| | € | € | € | € |
| Investment properties | <u>181.802.750</u> | <u>181.802.750</u> | <u>183.054.844</u> | <u>183.054.844</u> |
| | <u>181.802.750</u> | <u>181.802.750</u> | <u>183.054.844</u> | <u>183.054.844</u> |

21. Financial instruments by category

| | Financial assets at amortised cost | Total |
|--|--|-------------------|
| | € | € |
| 31 December 2019 | | |
| Assets as per consolidated statement of financial position: | | |
| Cash and cash equivalents | <u>14.358.383</u> | <u>14.358.383</u> |
| Total | <u>14.358.383</u> | <u>14.358.383</u> |

CYREIT VARIABLE CAPITAL INVESTMENT COMPANY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

21. Financial instruments by category (continued)

| | Financial liabilities at amortised cost € | Total € |
|---|---|------------------|
| Liabilities as per consolidated statement of financial position: | | |
| Trade and other payables | <u>491.216</u> | <u>491.216</u> |
| Total | <u>491.216</u> | <u>491.216</u> |
| | | |
| | Financial assets at amortised cost € | Total € |
| 31 December 2018 | | |
| Assets as per consolidated statement of financial position: | | |
| Cash and cash equivalents | <u>7.687.128</u> | <u>7.687.128</u> |
| Total | <u>7.687.128</u> | <u>7.687.128</u> |
| | | |
| | Financial liabilities at amortised cost € | Total € |
| Liabilities as per consolidated statement of financial position: | | |
| Trade and other payables | <u>1.717.793</u> | <u>1.717.793</u> |
| Total | <u>1.717.793</u> | <u>1.717.793</u> |

22. Events after the reporting period

With the recent and rapid development of the Coronavirus Disease (COVID-19) outbreak the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and every day life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations.

Governments, including the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures. Management has considered the unique circumstances and the risk exposures of the Fund and has concluded that there is no significant impact in the Fund's financial position. However, Management will continue to monitor and assess the situation closely.

Management has considered the unique circumstances and the risk exposures of the Fund and has concluded that there is no significant impact in the Fund's financial position as the properties are leased mainly to creditworthy tenants. The event is considered as non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.