



ADVENTUM QUARTUM  
CENTRAL EUROPE SICAV  
P.L.C.

Annual Report and Financial Statements  
31 December 2019

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## DIRECTORS, OFFICERS AND OTHER INFORMATION

### DIRECTORS

Mr. Kristóf Bárány  
Mr. Balázs Deim  
Mr. Kyle George Debono

### REGISTERED OFFICE

215/1, Old Bakery Street  
Valletta VLT 1451  
Malta

### COUNTRY OF INCORPORATION

Malta

### COMPANY REGISTRATION NUMBER

SV 506

### COMPANY SECRETARY

Dr. Emerson Bonello

### INVESTMENT MANAGER

Adventum International Ltd  
215/1, Old Bakery Street  
Valletta VLT 1451  
Malta

### ADMINISTRATOR

Alter Domus Fund Services (Malta) Limited  
Vision Exchange Building  
Territorials Street  
Zone 1, Central Business District  
Birkirkara CBD 1070  
Malta

### AUDITOR

Ernst & Young Malta Limited  
Regional Business Centre,  
Achille Ferris Street,  
Msida MSD 1751  
Malta

DIRECTORS, OFFICERS AND OTHER INFORMATION (CONTINUED)

DEPOSITORY

Dolfin Asset Services Limited  
89, Level 5,  
St. John's Street  
Valletta, VLT 1165  
Malta

BANK

Sparkasse Bank Malta p.l.c.  
101, Townsquare  
Ix-Xatt ta' Qui-si-Sana  
Sliema SLM 3112

MALTA CENTRAL SECURITIES DEPOSITORY

Malta Stock Exchange p.l.c.  
Garrison Chapel,  
Castille Place,  
Valletta VLT 1063  
Malta

LEGAL ADVISORS

Zerafa Advocates  
215/1, Old Bakery Street  
Valletta VLT 1451  
Malta

INDEPENDENT VALUERS

CBRE Group  
400, S. Hope Street,  
25th Floor  
Los Angeles, California CA 90071  
United States of America

## MANAGERS' REPORT

### Investment Objective

The investment objective of Adventum Quartum Central Europe SICAV plc ("the Company") is to achieve returns in the short-to-medium term under all market conditions. The target growth of the Company is a minimum of six percent (6%) per year with a target IRR of approximately twenty two percent (22%).

### Investment Strategy

The Company intends to achieve its investment objectives by buying income producing real estate assets, primarily office buildings and shopping centres in Central Europe, particularly those located in Poland, the Czech Republic, Slovakia, Hungary and Romania (the "Target Region") that produce, or can produce after refurbishment, a yield of approximately eight to ten percent (8% to 10%) or higher. The Company may also target real estate investments in other European jurisdictions excluding Malta. Each real estate acquisition would be financed or refinanced at planned average of sixty percent (60%) loan-to-value (LTV) ratio, thus creating an additional value for the Investors with limited risk. The Company is investing in real estate assets through the use of Special Purpose Vehicles ("SPVs") which are domiciled in the country where the real estates are located.

### Business Review

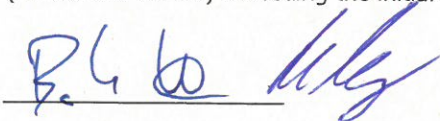
Managers of the Company summarize the most important milestones of business year 2019, as follows:

- On 20<sup>th</sup> of February the Company was registered under the Laws of Malta
- On 7<sup>th</sup> of March Adventum International Ltd. received its MFSA licence Category 2 qualifying as AIFM.
- The 12<sup>th</sup> of March 2019, the date the scheme was licensed as an AIF by the MFSA; beginning of the Subscription Period
- On June 11<sup>th</sup> the Company acquired two Polish shelf companies: i) Artikel Sp. Z o.o. (renamed to Ren Plaza Sp. Z o.o) and ii) Usafiri Sp. Z o.o. (renamed to Co Development Sp. Z o.o.) for the transactions Renaissance Plaza and Centrum Orlat respectively.
- On June 19<sup>th</sup> the Company through Ren Plaza Sp. Z o.o entered into a binding preliminary sale and purchase agreement to acquire Renaissance Plaza office buildings
- On June 24<sup>th</sup> the Company completed the transaction Poznan Financial Center, acquiring 100% of the shares of Centerus Sp. Z.o.o.
- On July 18<sup>th</sup> the MFSA accepted revised Offering Memorandum, of the Company.
- Conditional Sale and Purchase agreement signed for KöKI Terminál Center on September 12th 2019.
- Renaissance Plaza office building acquired by REN Plaza Sp. Z o. o. on October 25th 2019.
- Acquisition of KÖKI East-End Zrt (74% share) holding the Shopping Center KÖKI Terminál was completed on November 15th 2019.
- Preliminary Sale and Purchase Agreement for the real estate Centrum Orlat was signed on November 22nd 2019.

### Fund Performance

By 31st December 2019, the value of Net Assets managed had reached EUR 110,754,749 resulting in a value of EUR 107,738.0823 per share.

Investors who subscribed at the launch of the Company up to the First Closing, have seen more than 7.7% yield (annualised 15.4%) exceeding the initial expectations. The leverage at SPV-level is around 50%.



### Fund Manager

Date: 30 June 2020

On behalf of the Board of Directors of Adventum International Ltd

## DIRECTORS' REPORT

The Directors of Adventum Quartum Central Europe SICAV p.l.c. (the "Company") present herewith their report and audited annual financial statements for the period starting from 20 February 2019 (date of incorporation) to 31 December 2019.

### Principal Activities

The Company was formed on 20 February 2019 as a third party managed, stand-alone fund investment company with variable share capital (SICAV) incorporated with limited liability under the Laws of Malta and licensed on 12 March 2019 by the MFSA under the Investment Services Act, 1994 as a closed-ended Alternative Investment Fund targeting Qualifying Investors. The Company has a limited period until the end of December 2025, however the Directors have a one-time unilateral discretion to extend the duration of the Company for an additional two-year period.

The Company holds four SPVs through which it holds real estates in the Target Region as detailed below. The investment objective of the Company is to achieve returns in the short-to-medium term under all market conditions. The target growth of the Company is a minimum of six percent (6%) per year with a target IRR of approximately twenty two percent (22%).

### Investment Strategy

The Company intends to achieve its investment objectives by buying income producing real estate assets, primarily office buildings and shopping centres in Central Europe, particularly those located in Poland, the Czech Republic, Slovakia, Hungary and Romania (the "Target Region") that produce, or can produce after refurbishment, a yield of approximately eight to ten percent (8% to 10%) or higher. The Company may also target real estate investments in other European jurisdictions excluding Malta. Each real estate acquisition would be financed or refinanced at planned average of sixty percent (60%) loan-to-value (LTV) ratio, thus creating an additional value for the Investors with limited risk.

All investments in real estate will be undertaken through the SPVs. The Company will notify the MFSA in relation to the directors and shareholders of SPVs used by the Company.

The Company may also invest up to twenty percent (20%) of its assets in other real estate AIFs managed by Adventum Zrt (registered address: Hungary, 1052 Budapest, Türr István utca 9. V. em.; Company registration number: 01 10 044114). The Company does not intend to invest in other collective investment schemes managed by Adventum International Ltd. In this case no subscription and/or redemption fees can be charged by the AIF managed by Adventum Zrt, and any management fees charged by Adventum Zrt will be reduced from the management fees charged by Adventum International so only one set of management (excluding performance fee), subscription and/or redemption fees applies.

The Company may also invest a small part of its liquid assets in listed Euro (EUR) denominated government bonds with publicly quoted prices.

The Company shall only invest or reinvest until the 31 December 2022. For this purpose, investment shall refer to the acquiring of a new SPV or a new real estate property. The Company plans to exit after such initial investment period.

It is currently the intention of the Company to call the total Committed Capital until the end of the year 2022 at the latest but it is also possible that the total Committed Capital will be called as early as during the Subscription Period.

## DIRECTORS' REPORT (CONTINUED)

### Results and Dividends

The results for the year are shown on pages 12-15.

As outlined in the Offering Memorandum of the Company, no dividend payment is intended to be distributed to the shareholders.

### Risk and Management

The Company is exposed to a variety of risks and hence operates a risk management strategy with the objective of controlling and minimizing the impact on the financial performance and position. A detailed review of the risk management policies employed by the Company with the exposures to market risk, credit risk, liquidity risk, and capital risk management is included in Note 17 of the financial statements.

### Future Developments

In the near future the emphasis has to be put on operative, asset management steps, securing necessary financing and possible refinancing, as well as, lease-up vacant areas. Based on this, the Directors expect that the present value of activity to increase in the foreseeable future.

### Directors

The Directors who served during the period under review and as at the date of these financial statements are stated on page 3. In accordance with the Company's article of Association, the Directors are to remain in office. During the period, business relationships existed between the Directors of the Fund and Related Parties to the Fund. These relationships are detailed in Note 15 to the financial statements.

### Standard License Conditions

As required by the Investment Services Rules for Investment Service Providers regulated by the MFSA, we report that there were no breaches of the standard license conditions or other regulatory requirements during the reporting period which were subject to an administrative penalty or other regulatory sanction.

### Events after the reporting period

Significant events in 2020 until the closure of books of 2019 were:

- Preliminary Sale and Purchase Agreement for Katowice Business Point (Tophill Investment Sp. Z o.o.) signed on 21 January 2020
- Completion of Tophill Investment Sp. Z o.o. transaction, with the use of 22 000 000 EUR bank financing from Santander Bank on 30 January 2020.
- The Fund was set up onto Bloomberg (ADVQCE1:MV) in February 2020
- Also in February a Binding Term Sheet for EUR 10.000.000 equity refinance on REN Plaza Sp. Z o.o. and a Binding Term Sheet for EUR 55.000.000 refinance on KÖKI East-End Zrt. were secured.
- KÖKI purchase price reconciliation was completed resulting in a refund of EUR 963 270 to Adventum QUARTUM.
- On 14 May Adventum QUARTUM purchased 100% of Centrum Orlat via CO Development Sp. Z o.o.
- Execution of new EUR 10 000 000 credit facility with HypoNoe by REN Plaza Sp. Z o.o. on 6th May 2020
- Completion of Centrum Orlat transaction in value of EUR 14 600 000 on 14 May 2020.

## DIRECTORS' REPORT (CONTINUED)

### *Effect of the Corona-Virus (COVID-19) crisis on the operations of Adventum International Ltd ("the Investment Manager"), Adventum Quartum Central Europe p.l.c. ("the Company") and the performance of the underlying investments*

Under the current circumstances, the Directors feel that it is necessary to inform the Company's stakeholders about the view of the management regarding the current situation and outlook of the investment manager and the Company in relation to COVID-19. Although the pandemic has created a never-experienced situation worldwide, and the situation is serious and requires continuous monitoring, the management of the Investment Manager and the Company would like to emphasise that the Directors continue to work on all projects without any major interruptions. The Board of Directors consider the emergence and spread of COVID-19 to be a non-adjusting event, however are assessing the impact on the business as matters evolve to the extent of the short and longer term impact to become clear over time.

The Directors have examined the extraordinary measures taken in Malta as well as in the CEE region, and fine-tuned our actions, management and daily operation in conformity of the severity of the situation.

The restrictions applied by governments are slightly hampering our operation, but they are not making our activity impossible. Taking into consideration that:

- First of all, none of our key personnel is infected in any of the regions and we are doing everything to keep our employees healthy and safe,
- All our offices and investments are accessible when necessary,
- The work-related databases are safely double-stored and reachable, even remotely.

The Directors can claim that the situation is well under control and it did not even trigger our Business Continuity Plan.

Regarding the Company and its investments, the Directors are only in the beginning of this extraordinary period, but to date the fund's cash flow has not been seriously affected. Also, the fund's loan to value ratio is below 40%, which is a very low and a very safe level under these circumstances. The Directors still believe that the profitability planned in the Offering Memorandum can be achieved over the lifecycle of the Company, especially since the rent levels in all the investments seem sustainable currently, as they are below market level.

The relative shortness of the forecasted length of the pandemic – even based on the most pessimistic prognoses – compared to the planned investment duration of the fund, limits the effect of these months on the overall profitability. Should there be only a temporary drop in the cash flow due to temporary discounts provided to some tenants, there should be not long-term implications on the value of the portfolio in a 3-5-year horizon.

As far as Polish investments are concerned there are currently no material effect on the cash flow from the pandemic. Regarding KÖKI Terminal, since this asset is the most affected by the pandemic.

In KÖKI the Investment Manager has started implementing a short-term tenants discount program, whereby tenants get a reduction in rents for a 4-month period with a corresponding lease extension while still paying Service Charge. The aim of this program is to protect smaller tenants so that they can resume normal operation once it becomes possible. Since rent levels are low, there is still serious interest from several top retailers, however these new leases have been put on hold until the pandemic is controlled. Our current estimate is that 2020 NOI will be reduced by 20-25% while 2021 NOI should return to the planned level. Accordingly, long-term effect should be minimal if the pandemic can be controlled and KÖKI can be fully reopened in Q4 2020. With the 20-25% drop in NOI, KÖKI should still achieve more than 8% geared IRR in 2020.

The Directors will continue to monitor the situation closely and conclude that in the current situation the Company's ability to continue on a going concern is not impacted.

## **DIRECTORS' REPORT (CONTINUED)**

### **Directors' responsibilities**


The Directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the Directors should:

- § Select suitable accounting policies and apply them consistently;
- § Make judgements and estimates that are reasonable;
- § Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern;
- § Account for income and charges relating to the accounting period on the accruals basis; and
- § Value separately the components of asset and liability items.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

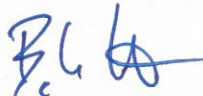
### **Auditor**

A resolution to re-appoint Ernst & Young Malta Limited as auditor will be proposed at the Annual General Meeting.



**Balázs Deim**  
**Director**

Date: 30 June 2020



**Kristóf Bárány**

**Director**

## **Report of the Depositary to the Shareholders**

### **Adventum QUARTUM Central Europe SICAV p.l.c. (Hereinafter referred to as the “Company”)**

We, Dolfin Asset Services Limited (hereinafter referred to as the “Depositary”), have enquired into the conduct of the AIFM and the Company, for the period 12<sup>th</sup> March 2019 to 31<sup>st</sup> December 2019 (the “Period”) in our capacity as depositary to the Company, and in line with the depositary agreement entered into with the Company and the fund manager, namely, Adventum International Ltd (hereinafter referred to as the “AIFM”).

This report including the opinion has been prepared for and solely for the shareholders in the Company as a body, in accordance with the Malta Financial Services Authority (hereinafter referred to as the “MFSA”) Investment Services Act (Chapter 370 of the Laws of Malta), 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 whom this report is shown.

### **Responsibilities of the Depositary**

Our duties and responsibilities are outlined in Part BIV to the MFSA Investment Services Rules for Investment Services Providers. One of these duties is to enquire into the conduct of the AIFM and the Company in each annual accounting period and report thereon to the shareholders.

Our report shall state whether in our opinion the Company has been managed, in that period, in accordance with the provisions of the Company’s Memorandum and Articles of Association and by the MFSA regulations (hereinafter referred to as the “Regulations”). It is the overall responsibility of the AIFM and the Company to comply with these provisions. If the AIFM or the Company has not so complied, we as Depositary must state why this is the case and outline the steps which we have taken to rectify the situation.

### **Basis of Depositary Opinion**

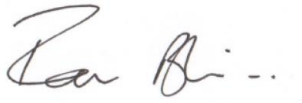
The Depositary conducts such reviews as it, in its reasonable opinion, considers necessary in order to comply with its duties outlined in Part BIV of the MFSA’s Investment Services Rules and to ensure that in all material respects, the Company has been managed (i) in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutional documentation and the appropriate regulations and (ii) otherwise in accordance with the Company’s constitutional documentation and its Licence Conditions.

**Opinion**

In our opinion, the Company has been managed during the Period, in all material aspects:

- i. in accordance with the limitations imposed on investment and borrowing powers of the Company by the constitutional documents and by the Regulations;
- ii. otherwise in accordance with the provisions of the Company's constitutional documents and its Licence Conditions.

Signed today the 8<sup>th</sup> June 2020



Ramon Bondin  
Director  
For and on behalf of  
Dolfin Asset Services Limited

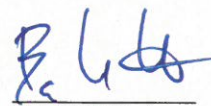
## | STATEMENT OF FINANCIAL POSITION

	Notes	Adventum Quartum Central Europe SICAV p.l.c
		31 December 2019
		€
<b>ASSETS</b>		
Financial assets at fair value through profit and loss	6	20,591,815
Loans and receivables	7	81,169,900
Trade and other receivables	8	268,862
Cash and cash equivalents	9	12,094,009
<b>Total assets</b>		<b>114,124,586</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Founder shares		11,200
<b>Total equity</b>		<b>1,200</b>
<b>Liabilities</b>		
Management fees		246,460
Director fees		23,147
Trade and other payables		23,661
<b>Total liabilities (excluding net assets attributable to shareholders)</b>	10	<b>294,468</b>
<b>Total equity and liabilities (excluding net assets attributable to shareholders)</b>		<b>293,268</b>
<b>Net assets attributable to shareholders</b>		<b>113,830,118</b>
Founder shareholders		1,200
Net assets attributable to shareholders (at trading value)		110,754,749
Adjustments in accordance with IFRS		3,075,369
Net asset value (in accordance with IFRS)		113,830,118

The notes form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board on 30 June 2020 and were signed on its behalf by:

  
**Balázs Deim**  
Director

  
**Kristóf Bárány**  
Director

## STATEMENT OF COMPREHENSIVE INCOME

		Adventum Quartum Central Europe SICAV p.l.c
		20 February 2019 to 31 December 2019
		€
	Notes	
Income		
Net change in fair value of financial assets at fair value through profit or loss		10,265,058
Interest income		<u>720,789</u>
Total income		10,985,847
Expenses		
Management fees	14	544,068
Administration fees		11,667
Directors' fees	14	28,979
Other operating expenses	13	<u>446,903</u>
Total expenses		<u>1,031,617</u>
Withholding tax		<u>95,867</u>
Total comprehensive income attributable to shareholders		<u>9,858,363</u>

The notes form an integral part of these financial statements.

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

	Adventum Quartum Central Europe SICAV p.l.c.
	20 February 2019 to 31 December 2019
	€
Net assets attributable to shareholders at the beginning of the period	-
Initial founder shares	1,200
Issue of investor shares	<u>103,971,755</u>
Net increase from share transactions	<u>103,972,955</u>
Net increase in net assets attributable to holders of investor shares	<u>9,858,363</u>
Net assets attributable to shareholders at the end of the period	<u>113,831,318</u>

The notes form an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

		Adventum Quartum Central Europe SICAV p.l.c.
	Notes	20 February 2019 to 31 December 2019 €
Cash flows from operating activities		
Total comprehensive income for the period		9,858,363
Adjustments for:		
Net fair value movements on financial assets and financial liabilities at fair value through profit and loss		(10,265,019)
Interest Income		<u>(720,789)</u>
Operating cash flow before working capital changes		<u>(1,127,445)</u>
Changes in working capital:		
Movement in receivables		(268,862)
Movement in trade and other payables		<u>293,268</u>
Net cash used in operating activities		<u>(1,103,039)</u>
Cash flows from investing activities		
Purchase of investments	6	(10,326,795)
Loan advances	7	<u>(80,449,112)</u>
Net cash used in investing activities		<u>(90,775,907)</u>
Cash flow from financing activities		
Proceeds from issue of Founder shares		1,200
Proceeds from issue of Investor shares		<u>103,971,755</u>
Net cash from financing activities		<u>103,972,955</u>
Net increase in cash and cash equivalents		12,094,009
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period	9	<u>12,094,009</u>

The notes form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Adventum Quartum Central Europe SICAV p.l.c (the "Company") is a collective investment scheme organized as a limited liability investment company with variable share capital. The Company was registered on 20 February 2019 under the Companies Act, 1995 (Chapter 386, Laws of Malta) and is licensed and regulated by the Malta Financial Services Authority under the Investment Services Act, 1994 (Chapter 370, Laws of Malta) as an Alternative Investment Fund targeting Qualifying Investors. These financial statements have been prepared for the financial period from 20 February 2019 to 31 December 2019.

The investment objective of the Company is to achieve returns in the short-to-medium term under all market conditions. The target growth of the Company is a minimum of six percent (6%) per year with a target IRR of approximately twenty two percent (22%). These objectives are achieved by the Company in investing in real estate in the target regions.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1.1 STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU") and comply with the Companies Act, Cap 386 of the Laws of Malta.

The preparation of these financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies.

#### 2.1.2 BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for financial assets held at fair value through profit or loss that are measured at fair value.

The Company presents its statement of financial position in order of liquidity, since this presentation is reliable and more relevant to the Company. Assets and liabilities are expected to be realised within one year, unless otherwise indicated in the notes to the financial statements.

#### 2.1.3 GOING CONCERN

Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. As explained in both the directors report and in Note 19, the Directors do not anticipate a material impact on the going concern status of the Company stemming from the COVID-19 pandemic.

#### 2.1.4 BASIS OF CONSOLIDATION

The Company is an investment entity, therefore, it holds its investments in subsidiaries at fair value rather than consolidating them. The Company may also hold interests in associates at fair value. Investments in subsidiaries and associates are classified as fair value through profit or loss in accordance with IFRS 9.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency is the currency of the primary economic environment in which the Company operates. The majority of the Company's returns are Euro-based, the capital is raised in Euros, the performance is evaluated and its liquidity is managed in Euros. Therefore, the Company concludes that the Euro is its functional currency.

The Company's presentation currency is also the Euro.

#### 2.3 FOREIGN CURRENCY TRANSLATIONS

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as at FVPL are included in profit or loss in the statement of comprehensive income as part of the 'net gain or loss on financial assets and liabilities at fair value through profit or loss'.

#### 2.4 FINANCIAL INSTRUMENTS

##### (i) Classification

In accordance with IFRS 9, the Company classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

On applying that classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; Or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking;

Or

- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 FINANCIAL INSTRUMENTS (CONTINUED)

##### FINANCIAL ASSETS

The Company classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

##### Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Company includes in this category loans receivable due to the subsidiaries/SPVs.

##### Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at fair value through profit or loss if:

(a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Or

(b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell

Or

(c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company includes in this category:

- Equity instruments: Included within equity instruments are investments in subsidiaries:
  - Investment in subsidiaries: in accordance with the exception under IFRS 10, the Company does not consolidate subsidiaries in the financial statements unless the subsidiary is not itself an investment entity and its main purpose and activities are providing services that relate to the Company's investment activities. The Company has no consolidated subsidiaries. The Company measures unconsolidated subsidiaries at FVPL.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 FINANCIAL INSTRUMENTS (CONTINUED)

##### FINANCIAL LIABILITIES

Financial liabilities measured at fair value through profit or loss (FVPL)

A financial liability is measured at FVPL if it meets the definition of held for trading.

The Company includes in this category redeemable investor shares.

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Company includes in this category other short-term payables.

##### (ii) Recognition

The Company recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument.

##### (iii) Initial measurement

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

Financial assets and liabilities (other than those classified as at FVPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

##### (iv) Subsequent measurement

After initial measurement, the Company measures financial instruments which are classified as at FVPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets and liabilities at FVPL in the statement of comprehensive income. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense in the statement of comprehensive income.

Debt instruments, other than those classified as at FVPL, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the debt instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at FVPL, are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest method (EIR) is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instruments, but does not consider expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 FINANCIAL INSTRUMENTS (CONTINUED)

##### (v) Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

##### (vi) impairment

IFRS 9 applies an 'expected credit loss' (ECL) model. This impairment model applies to financial assets measured at amortised cost, but not to investments in equity instruments being measured at FVPL

The Company recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs. The Company also measures bank balance for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

##### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

##### *Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

##### *Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

##### (vii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Company has a current legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2.5 FAIR VALUE MEASUREMENT

The Company measures its investments in subsidiaries at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions, adjusted as necessary, and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

For assets and liabilities that are measured at fair value on a recurring basis, the Company identifies transfers between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole), and deems transfers to have occurred at the beginning of each reporting period.

### 2.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash with banks and demand deposits. Cash equivalents are short-term, highly-liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. Cash and deposits with banks are stated at their principal amount.

### 2.7 REDEEMABLE SHARES

The redeemable shares for each sub-fund provide investors with the right to require redemption for cash at a value proportionate to the investor's share in the sub-fund's net assets, at each redemption day after the termination of the subscription period following issue of notice by the Directors informing Investors of the possibility of redemptions, and also in the event of the Company's liquidation.

The redeemable shares are classified as financial liabilities and are measured at the present value of the redemption amounts. In accordance with the Company's offering memorandum, the redemption amounts of the individual redeemable shares are calculated using the prevailing redemption price on the relevant redemption day, which will be the applicable NAV per Share as calculated on the Valuation Day less such penalties, fees or expenses as may be applicable or as the Company may be entitled to deduct or recover therefrom.

### 2.8 INTEREST REVENUE

Interest revenue are recognised in the statement of comprehensive income for all interest-bearing financial instruments using the effective interest method.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.9 NET GAIN OR LOSS ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Net gains or losses on financial assets at FVPL are changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at FVPL and exclude interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of the prior period's unrealised gains and losses for financial instruments which were realised in the reporting period. Realised gains and losses on disposals of financial instruments classified as at FVPL represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments.

#### 2.10 FEE EXPENSE

Fees are recognised on an accrual basis. Refer to Note 14 for management and performance fees, custodian and administration fees and directors' fees.

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognised in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

#### *Assessment as investment entity*

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at FVPL rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis

The Company's prospectus details its objective of providing investment management services to investors which includes investing in real estates through an investment in SPV, for the purpose of returns in the form of investment income and capital appreciation.

The Company reports to its investors via regular investor information, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Company's annual report. The Company has a clearly exit documented exit strategy for all of its investments.

The Board has also concluded that the Company meets the additional characteristics of an investment entity, in that it has more than one investment; the Company's ownership interests are predominantly in the form of equities and similar securities; it has more than one investor and the majority of its investors are not related parties.

The Directors concluded that the Company meets the definition of an investment entity. These conclusions will be reassessed on a continuous basis, if any of these criteria or characteristics change.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### *Recognition of Performance Fees*

The Investment Manager is entitled to a Performance Fee from the Company, which is calculated as equal to twenty percent (20%) of the yearly return, in case the yearly return is up to fifteen percent (15%) once the yearly return reaches the threshold level of eight percent (8%) with full catch up, or thirty percent (30%) of the yearly return, in case the yearly return is above fifteen percent (15%) and for that amount of yearly return which is above fifteen percent (15%) without catch up. Performance Fees shall be calculated and accrued based on monthly Net Asset Values of the Company excluding accrued Performance Fees. Thresholds levels for eight percent (8%) and fifteen percent (15%) yearly return shall be calculated based on previous monthly period's NAV per Share excluding accrued Performance Fees and these shall be compounded monthly based on the respective threshold levels divided by twelve (12). New Share issues and redemptions shall also be taken into consideration on a monthly basis.

The Performance Fee shall only be charged after the Investment Manager has recovered any net capital since the High-Water Mark. The High-Water Mark shall be the calculated based on the yearly threshold level of eight percent (8%) from the Initial Closing Date being 30 June 2019. The Performance Fee shall be paid to the Investment Manager proportionately upon the redemption of shares and the accruals reduced by the paid amounts.

Based on the Offering Memorandum of the Company, being a Closed-Ended Fund, the Investment Manager is not entitled to receive any performance fees until return of funds to the investor, which is planned to happen in three to eight years and such performance fees can be potentially reversed until the date of the said redemption.

Based on the criteria established by IAS 37, the performance fee does not meet the criteria for probable outflow, given that there is probability that the fee may be reversed in part or in full as stated above, and so the amount payable cannot be determined with complete certainty, nor can it be certain whether this obligation will exist after the redemptions take place. Therefore, management made the judgement not to recognise the Performance Fees payable to the Investment Manager.

#### *Fair value of investments*

The underlying assets of the SPVs held by the Company are valued by an independent valuers, namely CBRE group. Due to the timing of the NAV the Company uses T-1 reporting when calculating the NAV of the Company each month therefore these financial statements have been adjusted to reflect the value as at 31 December 2019, which will differ from the trading value reported. Management has made the judgement this adjustment is a more prudent and accurate approach to reporting the figures in the financial statements. Disclosures on the estimates and judgement used on determining the fair value of the underlying investments are further disclosed in Note 5.

### 4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below, except for those standards which, in the opinion of the Board, will clearly not impact the Company. The Company intends to adopt these standards, if applicable, when they become effective.

#### *IFRS 16 Leases*

IFRS 16 was issued in January 2016 and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. Lessor accounting is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. The standard requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, however early adoption is permitted. The Company does not have any lease arrangements, therefore this standard will not have any impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FAIR VALUE MEASUREMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted market prices (unadjusted) in an active market for an identical instrument;

Level 2 - valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;

Level 3 - valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, including the Company's own assumptions, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustment or assumptions are required to reflect differences between the instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	Level 1 €	Level 2 €	Level 3 €	Total €
Financial assets at fair value through profit or loss:				
Investment in subsidiaries	-	-	20,591,815	20,591,815
Total	-	-	20,591,815	20,591,815

December 31, 2019

The following table presents the changes in recurring fair value measurements of investments in subsidiaries categorised as Level 3:

	2019 €
Balance at the beginning of the period	-
Cost	10,326,795
Appreciation of investment	10,265,020
Balance at the end of the period	20,591,815

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FAIR VALUE MEASUREMENTS (CONTINUED)

Given that the SPVs fair value is mainly driven by the fair value of the property, the below quantitative information is based on the fair value of the underlying assets.

	Valuation Technique	Unobservable Input	Range	SPV Fair Value
KEQI Kft	DCF	Estimated rental value Discount rate	EUR 24 per sqm 7.92%	8,020,186
REN Plaza Sp. Z o.o.	DCF	Estimated rental value Discount rate	EUR 12 per sqm 9%	980,968
Centerus Sp. Z o.o.	DCF	Estimated rental value Discount rate	EUR 13.50 per sqm 7.93%	11,635,083

The Level 3 investments' income is locked down for a fixed period of three years. In this respect, the Fund does not foresee any rental growth rate and long term vacancy rate.

The significant unobservable inputs used in the fair value measurement categorised within Level 3 of the fair value hierarchy together with the quantitative sensitivity analysis as at 31 December 2019 are as shown below:

	Input	Sensitivity used	Effect on the SPVs' Fair Value
KEQI Kft	Estimated rental value	10%	802,019
	Discount rate	1%	80,202
REN Plaza Sp. Z o.o.	Estimated rental value	10%	98,097
	Discount rate	1%	9,810
Centerus Sp. Z o.o.	Estimated rental value	10%	1,163,508
	Discount rate	1%	116,351

*Valuation techniques*

The level 3 Private equity investments that amount to €20,591,815 consist of 4 fully owned SPVs namely KEQI Kft, Centerus Sp Z.o.o, REN Plaza Sp Z.o.o and CO Development Sp Z.o.o. The 4 SPVs, except for one SPV, invest in investment property.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FAIR VALUE MEASUREMENTS (CONTINUED)

*Unlisted equity investments*

The Company invests in private equity companies that are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The net asset value of the SPVs is used as an input into measuring the fair value of the same SPVs. The NAV of these investments is driven from the valuation of the underlying properties. The Company appointed CBRE Group as external valuers to determine the value of these properties. The CBRE valuations have been performed in accordance with the RICS Valuation - Professional Standards. The property has been valued on the basis of the Market Value, subject to existing leases and otherwise assuming vacant possession, According to the RICS Valuation - Professional Standards the market value is an estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeable, prudently and without compulsion. For valuation purposes a capitalization approach was used. The income from a tenant is capitalised for the duration of the term. Upon expiry of each lease, the valuation revert to market rental value and this income is capitalised at a market derived rate into perpetuity. The key inputs used in arriving at the value of the property comprise of the following factors: income from the tenant, location, capital value together with a percentage yield.

*Valuation process*

Valuations are the responsibility of the Board of Directors of the Investment Manager. The valuation of unlisted equity, is performed on a monthly basis by the valuation committee of the investment manager and reviewed by the investment committee of the investment manager. The valuation of property is performed semi-annually by the external valuer, CBRE Group, and reviewed by the investment committee of the investment manager.

6. INVESTMENTS IN SUBSIDIARIES

	% Ownership	Cost	Appreciation of value
KEQI Kft	100	370,000	7,650,186
REN Plaza Sp. Z o.o.	100	1,165	979,803
CO Development Sp. Z o.o.	100	1,165	(45,587)
Centerus Sp. Z o.o.	100	9,954,465	1,680,618
		10,326,795	10,265,020

The Company entered into a Guarantee with REN Plaza Sp. Z o.o. (the 'SPV') dated 19 July 2019, stating that it will take on the liabilities due to Sireo Immobilien fonds No. 4 Warszawa Renaissance Plaza Spolka z ograniczona odpowiedzialnoscia, should the SPV fail to meet its obligations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. LOANS AND RECEIVABLES

	December 31, 2019	
	Balance	% of net assets
	€	%
Loans		
KEQI Kft	37,240,523	32.72
KEQI Kft	19,028,089	16.72
Centerus Sp Z.o.o	3,216,099	2.83
REN Plaza Sp Z.o.o	20,054,522	17.62
CO Development Sp Z.o.o	1,630,667	1.43
Total	<u>81,169,900</u>	<u>71.32</u>

SPV legal name	Aggregate loan facility amount	Interest rate	Interest payment	Maturity Date	Outstanding principal amount 2019	Undrawn facility amount 2019
KEQI Kft	EUR 40,000,000	5%	Upon loan maturity	31.12.2025	EUR 37,000,000	EUR 3,000,000
KEQI Kft	EUR 20,000,000	8%	Upon loan maturity	12.02.2021	EUR 18,900,000	EUR 1,100,000
REN Plaza Sp. Z.o.o.	EUR 20,000,000	5%	Annually	26.07.2024	EUR 19,815,700	EUR 184,300
CO Development Sp. Z.o.o.	EUR 18,000,000	5%	Annually	26.07.2024	EUR 1,600,000	EUR 16,400,000
Centerus Sp. Z.o.o.	EUR 4,000,000	5%	Annually	24.06.2024	EUR 3,133,412	EUR 866,588

8. TRADE AND OTHER RECEIVABLES

	2019 €
Prepayments	68,862
Amount receivable from investors	<u>200,000</u>
	<u>268,862</u>

9. CASH AND CASH EQUIVALENTS

For the purpose of the Statement of Cash Flows, the year-end cash and cash equivalents comprising bank balances held at call were as follows:

31 DECEMBER 2019	Currency	Bank balance	% of net assets
Sparkasse Bank Malta plc	EUR	11,094,009	9.75
Dolfin Asset Services Limited	EUR	<u>1,000,000</u>	<u>0.88</u>
		<u>12,094,009</u>	<u>10.63</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TRADE AND OTHER PAYABLES

	2019
	€
Administration fees payable	4,667
Audit fees payable	11,800
Custodian fees payable	6,524
Other costs and expenses	670
	<u>23,661</u>

11. SHARE CAPITAL

The Company has an authorised share capital of six thousand (6,000). The initial issued share capital is of one thousand two hundred euros (EUR 1,200) divided into one thousand two hundred (1,200) fully-paid up Founder Shares with no nominal value.

The Founder Shares are voting shares and do not carry a right to participate in any dividends or other distributions of the Company or in the assets of the Company on a winding up (other than to the surplus, if any, that may remain after payment of all amounts due to the creditors and holders of the Investor Shares).

The Founder Shares may be exchanged for Investor Shares at any time in accordance with the terms and procedures set out in the Offering Memorandum regarding exchanges of Shares. In carrying out an exchange as aforesaid, the Founder Shares shall be deemed to have a price of one Euro (EUR 1) each.

The Company has also applied with the Central Securities Depository at the Malta Stock Exchange to dematerialise 3,800 Founder Shares.

	Founder Shares	Total
Balance at 20 February 2019	-	-
Issued	1,200	1,200
Balance at 31 December 2019	<u>1,200</u>	<u>1,200</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

The Investor Shares are issued as voting shares. The Investor Shares of the Company participate in the assets of the Company.

Subscription

Before the Initial Closing Date of 30 June 2019, Investor Shares are issued at the Initial Offer Price €100,000. After the Initial Closing Date, the Company may accept further subscription application until the subsequent closing date being 31 July 2020. During such subsequent subscription period, the investor shares are issued based on the Company's net asset value per share, calculated by dividing the net assets of the Company, calculated in accordance with the Company's Offering Memorandum, by the number of Investor Shares in issue, or the price detailed below (whichever is higher):

Date of Subscription	Price
From the 4 <sup>th</sup> June until the 30 <sup>th</sup> June 2019	€ 100,000
From the 1 <sup>st</sup> July until the 31 <sup>st</sup> July 2019	€ 100,740
From the 1 <sup>st</sup> August until the 31 <sup>st</sup> August 2019	€ 101,589
From the 1 <sup>st</sup> September until the 30 <sup>th</sup> September 2019	€ 102,438
From the 1 <sup>st</sup> October until the 31 <sup>st</sup> October 2019	€ 103,260
From the 1 <sup>st</sup> November until the 30 <sup>th</sup> November 2019	€ 104,110
From the 1 <sup>st</sup> December until the 31 <sup>st</sup> December 2019	€ 105,753
From the 1 <sup>st</sup> January until the 31 <sup>st</sup> January 2020	€ 107,452
From the 1 <sup>st</sup> February until the 29 <sup>th</sup> February 2020	€ 109,151
From the 1 <sup>st</sup> March until the 31 <sup>st</sup> March 2020	€ 110,740
From the 1 <sup>st</sup> April until the 30 <sup>th</sup> April 2020	€ 112,438
From the 1 <sup>st</sup> May until the 31 <sup>st</sup> May 2020	€ 114,082
From the 1 <sup>st</sup> June until the 30 <sup>th</sup> June 2020	€ 115,781
From the 1 <sup>st</sup> July until the 31 <sup>st</sup> July 2020	€ 117,425

There may be numerous subsequent subscriptions until the subsequent closing date and the Board may at its discretion appoint numerous dates for such subsequent subscriptions.

Once a Subscription Application has been accepted and processed, the Company will issue a contract note with respect to the initial Subscription of at least ten percent (10%) of the total commitment amount, subject to a minimum of one hundred thousand Euro (EUR 100,000) and rounded to whole amount of Investor Shares, within five (5) Business Days from the relevant Subscription Day, which will be sent by e-mail and by post to the correspondence address of the respective Shareholder as provided in the Subscription Application. The Shareholder has the obligation to inform the Company within five (5) Business Days from the date of the contract note should any details in such contract note be incorrect.

Following the Initial Closing Date, the Board has the discretion to issue Capital Calls by sending the Investors a Drawdown Notice at least fifteen (15) Business Days in advance. It is currently the intention of the Company to call the total Committed Capital until the end of 2022 at the latest, but it is also possible that the total Committed Capital will be called as early as during the Subscription Period. Capital Calls shall be issued pro rata based on uncalled commitments to Investors rounded to whole number of Investor Shares.

Should a Shareholder fail to subscribe any portion of his Committed Capital within the applicable deadline from when a Drawdown Notice is delivered to him, the Company will not issue the relevant Shares to such Shareholder and may claim interest of twenty percent (20%) on the outstanding amount, which will be calculated over the number of days such Committed Capital remains unsubscribed from the date of the applicable deadline in the Drawdown Notice. In case the amount remains unsubscribed for at least sixty (60) Business Days from the date of the applicable deadline in the Drawdown Notice, the Company also retains discretion to forcibly transfer the shares of such Shareholder and issue such Shares to another Shareholder who accepts to take over the Committed Capital of the defaulting Shareholder. The defaulting Shareholder will not necessarily be compensated for the Shares in the Company that are forfeited.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS (CONTINUED)

Transfer of shares

Shareholder who would like to transfer their Investor Shares should provide the Company with a written instrument of transfer of shares clearly indicating the names and addresses of the proposed transferor and transferee, the number of Investor Shares to be transferred and any other information the Company may, at its discretion, require. The written instrument of transfer should also bind the transferee to the same conditions and obligations the transferor had in relation to the Investor Shares in question.

If a transfer of shares would bring the total holdings of an Investor below the Minimum Initial Investment, the Company has the discretion to inform the transferor and the transferee that the request for transfer of Investor Shares has been suspended. Both parties may amend the request for transfer of Investor Shares to reflect the Minimum Holding requirements and re-submit such request to the Company.

Redemption

The Board of Directors may, where it deems necessary, exercise its discretion to allow redemptions of Investor Shares on any Redemption Day with an at least thirty (30) Business Day prior notice to Investors. Investor Shares may not be redeemed during the Subscription Period or before all commitments are fully drawn down. Following the end of the Subscription Period and following the notice issued by the Directors informing Investors of the possibility of redemptions, Redemption Notices may be submitted in relation to any Redemption Day by the Investor giving notice of not less than twenty (20) Business Days in advance of a Redemption Day to the Administrator by using the Redemption Notice Form, attached to the Offering Memorandum as Appendix E. The Directors have discretion to reduce or waive such notice period.

The Redemption Price per Share shall be the applicable NAV per Share as calculated on the Valuation Day less such penalties, fees or expenses as may be applicable or as the Company may be entitled to deduct or recover therefrom.

In the event that calculation of the NAV has been suspended or postponed, the relevant Investor Shares will, when the Company accepts the Redemption Notice, be redeemed at the prevailing Redemption Price on the next effective Redemption Day following the resumption of calculation of the NAV (less the fees or expenses as aforesaid).

The Company is under no obligation to entertain early Redemption Notices and any early Redemption Notices will be processed at the discretion of the Board following the Initial Closing Date. An early redemption fee as detailed below shall be payable for redemptions submitted before the maturity and closure of the Company:

<b>Date</b>	<b>Fee</b>
From the end of the Subscription Period until 31 <sup>st</sup> December 2023	25% discount to NAV
From 2024.01.01 until Maturity	No discount to NAV

As at 31 December 2019 the total commitments and total undrawn commitments were as follows:

Total commitments	€ 105,845,735
Total undrawn commitments	1,873,980

12.1 SHARE ACTIVITY

	Investor shares
Balance at 20 February 2019	-
Issued	1,028
Balance at 31 December 2019	<u>1,028</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. OTHER OPERATING EXPENSES

	€
Audit fee	11,800
Insurance fee	4,361
Corporate secretarial fee	4,203
Compliance officer fee	4,580
Transfer agency fee	8,650
Legal fees	101,264
Professional fees	106,030
Custodian fees	17,618
Formation expenses	50,000
Other operating expenses	<u>138,399</u>
	<u>446,905</u>

14. FEES

14.1 MANAGEMENT FEES

The Company shall pay the Investment Manager a fee of one percent (1%) per annum of the gross asset value or the value of the total Committed Capital, whichever is the higher. The Management Fee shall be accrued on each Valuation Day and shall be payable quarterly in arrears. Gross asset value shall be calculated as Net Asset Value and the amount of any third-party loans provided to the Company and/or SPVs added together.

The Investment Manager may decide to charge up to 0.45% of the gross asset value of any of the SPVs of the Company directly to such SPV as consideration for ancillary services provided by the Investment Manager to such SPV. In such eventuality the Investment Management Fee charged to the Company shall be proportionately reduced so that the total management fee on both the Company and SPV level collectively does not exceed one percent (1%) per annum.

During the period, management fees amounted to €544,068 of which €246,460 remained outstanding at period end.

14.2 PERFORMANCE FEES

A Performance Fee will be paid out of the assets of the Company, which shall be calculated as equal to twenty percent (20%) of the yearly return, in case the yearly return is up to fifteen percent (15%) once the yearly return reaches the threshold level of eight percent (8%) with full catch up, or thirty percent (30%) of the yearly return, in case the yearly return is above fifteen percent (15%) and for that amount of yearly return which is above fifteen percent (15%) without catch up. Performance Fees shall be calculated and accrued based on monthly Net Asset Values excluding accrued Performance Fees. Thresholds levels for eight percent (8%) and fifteen percent (15%) yearly return shall be calculated based on previous monthly period's NAV per Share excluding accrued Performance Fees and these shall be compounded monthly based on the respective threshold levels divided by twelve (12). New Share issues and redemptions shall also be taken into consideration on a monthly basis.

The Performance Fee shall be accrued monthly and shall be considered in determining NAV. For the purposes of the calculation of the Performance Fee, a high-water mark (the "High-Water Mark") shall apply. The Performance Fee shall only be charged after the Company has recovered any net capital since the High-Water Mark. The High-Water Mark shall be the calculated based on the yearly threshold level of eight percent (8%) from the Initial Closing Date. The Performance Fee shall be paid to the Fund Manager proportionately upon the redemption of shares and the accruals reduced by the paid amounts.

During the period, performance fees amounted to €2,656,321 were not recognised as they do not meet the criteria of IAS 37 Provisions as being disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. FEES (CONTINUED)

14.3 DEPOSITARY FEES

The Depositary shall be paid a variable fee as follows, subject to a minimum of €20,000 in Year 1 and €25,000 from Year 2 onwards:

Up to EUR 150 million NAV	0.025% per annum
Over EUR 150 million NAV	0.020% per annum

The Depositary fee for the custody of financial assets are as follows:

Aggregate value of assets in custody (regressive fee structure)	Fee (per annum)
Up to EUR 25 million	0.15%
From EUR 25 million up to EUR 75 million	0.125%
From EUR 75 million up to EUR 125 million	0.10%
Above EUR 125 million	0.075%

During the period, custodian fees amounted to €17,618 were charged, €6,524 of which were outstanding at period end.

14.4 ADMINISTRATION FEES

The Administrator shall be entitled to receive a fee of fourteen thousand Euro (EUR 14,000) per annum for Fund Administration Services, which fee does not include corporate management services, transfer agency fees and reporting fees. The latter fees are payable on a case by case basis as agreed in the Fund Administration Agreement entered into between the Fund Administrator and the Company.

The Company incurred administration fees amounting to €11,667 of which €4,667 were outstanding at period end.

14.5 DIRECTORS' FEES

The Directors' fees charged to the Company during the period amounted to €28,979 of which €23,147 were outstanding at period end.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15. RELATED PARTIES

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.

#### 15.1 PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

GRW International Ltd, having its registered address at 215/1, Old Bakery Street, Valletta, VLT 1454, Malta, is the Company's 99% founder shareholder, holding 187,499 ordinary 'A' shares. Mr Kristof Barany holds 1 'B' Share. The Ultimate Controlling Party of the Company is Mr Kristof Barany who holds directly or indirectly 100% of the Founder shares.

#### 15.2 TRANSACTIONS WITH RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

- (i) During the reporting period, the total remuneration to the Directors was €28,979, as disclosed in the Statement of Comprehensive Income and in Note 14.5
- (ii) The Directors and their affiliates may advise additional funds/customer accounts in the future. Trading orders for accounts similar to those of the Company may occur contemporaneously. The Directors may also acquire or dispose of units for the Sub-Funds in a collective investment scheme either operated or advised by the Directors or by one of its affiliates.
- (iii) Adventum MAGIS Zartkoru Alapok Alapja is an investment fund that is also managed by Adventum International Limited. It acquired 564 investor shares resulting in a percentage holding of 55% of total investor shares.
- (iv) GRW Invest KFT and Catalyst Befektetéskezelő és Szolgáltató Bt are other related parties which acquired 11 (1.07%) and 1 (0.10%) of investor shares, respectively.
- (v) Mr Kristof Barany is the 100% ultimate beneficial owner of the Company and also one of its Directors. His total remuneration for the period was €10,323 of which €10,323 remains outstanding.
- (vi) The Company is due €55,900,000 and €368,612 in loan principal and loan interest, respectively, from KEQI Kft.
- (vii) The Company is due €19,815,700 and €238,822 in loan principal and loan interest, respectively, from REN Plaza Sp Z.o.o. Furthermore, the Company has a Guarantees agreement in place with the SPV dated 19 July 2019, stating that it will take on the liabilities due to Sireo Immobilien fonds No. 4 Warszawa Renaissance Plaza Spolka z ograniczona odpowiedzialnoscia, should the SPV fail to meet its obligations.
- (viii) The Company is due €1,600,000 and €30,667 in loan principal and loan interest, respectively, from CO Development Sp Z.o.o.
- (ix) The Company is due €3,133,412 and €82,687 in loan principal and loan interest, respectively, from Centerus Sp Z.o.o.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 TAXATION

In terms of current Maltese income tax legislation, the taxation of collective investment schemes is based on the classification of funds and sub-funds into 'prescribed' or 'non-prescribed' funds in terms of the conditions set out in the Collective Investment Schemes (Investment Income) Regulations, 2001 (as amended to date). A fund is classified as a prescribed fund by the Commissioner of Inland Revenue if it is a fund formed in accordance with the Laws of Malta, which declares that the value of assets situated in Malta allocated to the fund for the purpose of its operations amounts to at least 85% of the value of the total assets of the Company that are so allocated. Conversely, a fund which declares that the value of its assets situated in Malta allocated thereto for the purpose of its operations does not exceed 85% of the value of its total assets so allocated is treated as a non-prescribed fund.

On this basis, the Company qualifies as a non-prescribed fund for Maltese income tax purposes. Accordingly the Company is exempt from income tax pursuant to the provisions of the Income Tax Act (Chapter 123, Laws of Malta), except in respect of any income derived from immovable property in Malta. Any capital gains, dividends, interest and any other gains or profits from non-Maltese sources held by the Company may nonetheless be subject to tax imposed by the country of origin concerned and any such taxes are not recoverable by the Company or by its unitholders. Any tax withheld by the Company on payments made to Maltese resident investors at a rate of 15% on capital gains realized on any redemption, liquidation or cancellation of units is accounted for when the Company recognises the relevant payment.

17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

17.1 RISK MANAGEMENT

The Company is a third party managed fund and any reference to the Fund Manager refers to Adventum International Ltd who make decisions in line with the policies set out in the Offering Memorandum. Risk management is carried out by the Fund Manager.

The Company is exposed to various risks arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below.

17.2 CONCENTRATION RISK

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counter party, or where a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities, sources of borrowing facilities or reliance on a particular market in which to realise liquid assets.

In order to mitigate the risk of concentration, the Company, although does not have a diversified portfolio of investments, ensures that investments are made in different geographical areas. The Offering Memorandum stipulates that after the termination of the subscription period the Company may not invest more than 55% of the higher of the total NAV or Committed Capital in real estate investments located in one jurisdiction. The lease terms for the real estate investments are fixed for three years and each investment has different tenants. Although the Fund's underlying investment is real estate, the Fund ensures that the investments are varied (office, household, retail). The following table analyses the Company's concentration of its investments by geographical distribution (based on counterparties' place of domicile) as at 31 December 2019:

	EUR	
Poland	12,571,629	61%
Hungary	8,020,186	39%
	<u>20,591,815</u>	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### 17.3 INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest rate risk in the current period through the interest bearing loans issued to its SPVs. Most of the Company's financial assets carry fixed interest and mature within six years.

#### 17.4 CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company only holds assets denominated in Euro, the functional currency. It is, therefore not exposed to currency risk.

#### 17.5 CREDIT RISK

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instruments fails to meet its contractual obligations, and arises principally from the Company's Cash and cash equivalents, Loans and receivables and other receivables

Cash at bank is placed with reliable financial institutions. 85.90% of cash at bank is held with Sparkasse Bank Malta plc. The bank is not a credit rated entity and has no publicly issued debt or equity securities on the market. The bank is fully owned by the subsidiary of Sparkasse Schwaz AG which is a member of the Austrian Savings Bank network, comprising of all Austrian Sparkasse banks and Erste Group Bank AG. Erste Group Bank's has a current credit rating of A-/A-2/A- as calculated by Standard & Poor's, Moody's and Fitch credit agencies. Management considers the probability of default from such banks to be close to zero and the amount calculated using the 12 month expected credit loss model to be very insignificant. Therefore, based on the above, no loss allowance has been recognised by the company. The rest of the cash is held with Dolfin Asset Services Limited.

#### Financial assets subject to IFRS 9's impairment requirements

The Company's financial assets subject to the expected credit loss model within IFRS 9 are loan and receivables and short-term trade and other receivables.

The Company assesses the financial position and performance of its related parties to whom the Company provided the loans. The Company takes cognisance of the related party relationship with these entities and management does expect any losses from non-performance or default.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

17.6 LIQUIDITY RISK

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Exposure to liquidity risk arises because of the possibility that the Company could be required to pay its liabilities or redeem its shares earlier than expected.

Before each new investment the Company set up a cash flow forecast with sufficient contingency for each new investment. These individual cash flows shall be updated quarterly as well as the cash flow of Company. These will be combined to create an updated quarterly cash flow. The quarterly cash flows should be set up so that at least one million Euro (EUR 1,000,000) liquid assets are always available on the accounts of the Company after the Subsequent Closing Date. Should the amount of liquid assets drop below one million Euro (EUR 1,000,000), and the amount of liquid assets is expected to stay below one million Euro (EUR 1,000,000) for more than forty-five (45) days, an action plan shall be put in place by the Directors to raise the amount of liquid assets above one million Euro (EUR 1,000,000). Substantial (more than EUR 2 million) forecasted liquid asset shall be invested in investment grade bonds from time-to-time if they are forecasted to be available for more than six (6) months.

As at December 31, 2019

	Less than 1 month €	6 - 12 months €	1 - 2 years €	3 - 5 years €	No maturity €	Total €
<b>Financial Assets</b>						
Private equity	-	-	-	20,591,815	-	20,591,815
Loans due from SPVs	-	-	18,900,000	61,549,112	-	80,449,112
Interest receivable	352,176	-	128,089	240,524	-	720,789
Cash and cash equivalents	-	-	-	-	12,094,009	12,094,009
Amounts receivable from investors	200,000	-	-	-	-	200,000
<b>Total Financial Assets</b>	<b>552,176</b>	<b>-</b>	<b>19,028,089</b>	<b>82,381,451</b>	<b>12,094,009</b>	<b>114,055,725</b>
<b>Financial Liabilities</b>						
Management fee payable	246,460	-	-	-	-	246,460
Other costs and expenses payable	670	-	-	-	-	670
Administration fee payable	4,667	-	-	-	-	4,667
Audit fee payable	11,800	-	-	-	-	11,800
Directors' fee payable	23,147	-	-	-	-	23,146
Custodian fee payable	6,524	-	-	-	-	6,524
Redeemable investor shares	-	-	-	103,830,118	-	103,830,118
<b>Total Financial Liabilities</b>	<b>293,268</b>	<b>-</b>	<b>-</b>	<b>103,830,118</b>	<b>-</b>	<b>104,123,385</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 17. FINANCIAL INSTRUMENTS (CONTINUED)

#### 17.7 REGULATORY RISK

On 11 March 2020, the Government of Hungary passed Government Decree No. 40/2020 in which it declared a national state of emergency. Under the Fundamental Law (Alaptörvény) of Hungary, under this special legal regime the Government of Hungary may temporarily suspend the application of certain Acts of Parliament by adopting Government decrees.

In this short information notice we provide an overview of the changes introduced by the Government in respect of commercial lease agreements and construction agreements in light of the state of emergency.

#### Commercial leases: closure of premises

Market-standard commercial lease agreements usually contain obligations for retail tenants to keep their shops open and to pay, in addition to the fixed monthly rent, an additional rent based on the turnover achieved in the given shops. The Government of Hungary passed Decree No. 46/2020 under which, from 3 p.m. to 6 a.m. daily, only members of the staff may stay within shops, restaurants, cafés and bars. This basically means that shops must be closed at 3 p.m. every day. Only grocery stores, pharmacies, drug stores, petrol stations and tobacco stores are exempt from this. In restaurants only takeaway food may be purchased outside this timeframe. Furthermore, it is forbidden to visit cinemas, theatres, museums, night clubs, concerts or other shows, i.e. these premises must be closed.

Due to the above decree, it is likely that landlords will not be in a position to successfully enforce the keep open and turnover rent clauses in commercial leases. For the same reasons it will likely not be possible for landlords to enforce the payment of the average daily turnover for days closed.

#### Commercial leases: ban on unilateral termination and rent increase

Following the above prohibition to visit cinemas, theatres, museums, night clubs, concerts and other shows, the Government of Hungary passed Decree No. 47/2020 in which it introduced a further twofold ban. First, it is prohibited for landlords to terminate lease agreements concerning premises engaging in tourism, catering, leisure services, gambling, film, performing arts, event planning and sports. Moreover, under the decree it is prohibited to increase the rent for such leases. The measures are effective until 30 June 2020 and may be extended by the Government of Hungary.

Landlords are therefore unlikely to be in a position to successfully claim that the inability to pay rent falls outside the lease and is the tenant's business risk. The above may prevent landlords from initiating a lawsuit, administrative execution or insolvency liquidation against a non-paying tenant. If a tenant makes no rental payments, the landlord could potentially argue towards the financing bank for impossibility to perform the relevant facility agreement.

Although a case-by-case analysis is necessary, we generally suggest that landlords and tenants should amicably negotiate possible solutions. These could be (i) quarterly instead of monthly payment of rent, (ii) moratorium on rental payments, (iii) rent reduction, or (iv) conversion of the higher average turnover rent into a lower fixed rent.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. RECONCILIATION OF NET ASSET VALUE

The Company's Offering Supplement stipulates the amortisation of formation expenses over a period of 5 years following the commencement of the Company investments activities. In accordance with IFRS, formation expenses are written off to profit or loss in the period when they are incurred.

	€
Net asset value as per OM	110,754,749
Write of formation costs	(44,167)
Performance fees not recognised in list with IAS 37 (Note 3)	2,656,321
Other adjustments	463,215
NAV Net asset value as per IFRS	113,830,118

	As per OM	As per IFRS
	€	€
Net asset value	110,754,749	113,831,318
Number of investor shares	1,028	1,028
NAV per share	107,738.08	110,730.85

19. SUBSEQUENT EVENTS

A detailed list of events occurred after the reporting year are included in the Directors' report. Furthermore, the Company received new subscription requests amounting to €1,084,445, being total commitments and called up amounts.



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## INDEPENDENT AUDITOR'S REPORT to the Shareholders of Adventum Quartum Central Europe SICAV p.l.c.

Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Adventum Quartum Central Europe SICAV p.l.c. (the "Company"), set on pages 12 to 38, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta, 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 Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

## INDEPENDENT AUDITOR'S REPORT

### to the Shareholders of Adventum Quartum Central Europe SICAV p.l.c. - continued

#### Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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

## INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Adventum Quartum Central Europe SICAV p.l.c. - continued

### Auditor's responsibilities for the audit of the financial statements - continued

We communicate with the 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 and regulatory requirements

*Matters on which we are required to report by the Companies Act*

We are required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the Directors' report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report. We have nothing to report in this regard.

We also have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.



*The partner in charge of the audit resulting in this independent auditor's report is Christopher Portelli for and on behalf of*

Ernst & Young Malta Limited  
Certified Public Accountants

30 June 2020

## CONDENSED SCHEDULE OF INVESTMENTS (UNAUDITED)

Financial assets at fair value through profit or loss

	Fair value	% of net assets
	€	%
Private equity	20,591,815	18.60%
	<u>20,591,815</u>	<u>18.60%</u>