

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

Annual Report for 2023

June 2024

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1. External Manager and Other Officers

External Manager:	IC Realty Ltd 4 Annis Komninis Street, Solea Building, 2 nd Floor, Office 202, 1060 Nicosia
Independent Auditors:	Savva Frangous & Associates Limited 4 Annis Komninis Street, Solea Building, 3 rd Floor, Office 303, 1060 Nicosia
Depository:	Mega Equity Securities and Financial Services Public Ltd Griva Digeni, 42-44, 3 rd Floor, 1080 Nicosia
Legal Advisor:	Christys & Co. LLC 18 Kyriakou Matsi Street, 2 nd Floor, 2408 Nicosia
Bankers:	Astrobank Ltd
Registration Number:	HE386064
License Number:	AIF42/2014

2. Management Summary

2.1. License

IC Realty A1 AIF Umbrella Fund V.C.I.C. Ltd (the “Fund” or the “AIF”) was authorized by the Cyprus Securities and Exchange Commission (the “CYSEC” or the “Commission”) on 04/06/2018 under license number AIF42/2014 to operate as an Alternative Investment Fund, in the form of an open-ended umbrella investment company, pursuant to the provisions of the Revoked Alternative Investment Funds Law 131(I)/2014 (the “Revoked AIF Law”) as amended from time to time¹.

During 2023, the Fund maintained two investment compartments, namely BF Diversified Real Assets Fund (the “Sub-Fund 1”), under licence number AIF42_1, and G-Parity Real Estate Fund (the “Sub-Fund 2”), under licence number AIF42_2.

2.2. Principal activities of the Fund

The principal activities of the Fund are to invest through its Investment Compartments in a variety of asset classes. More specifically, the Sub-Fund 1 will seek to build a portfolio consisted of real estate, other funds and/ or private equity assets which balances risks and emphasizes strong cash flow. To spread the risk, the Sub-Fund 1 will invest in real estate market, including commercial and residential projects and to a lesser extent into different aspects of private equity, other funds. The Sub-Fund 2 will seek to diversify its risk by holding a mixed portfolio of real estate assets including commercial, residential, industrial, in other properties and classes of real estate funds and to a lesser extent in private equity projects.

As of the end of 2023, the Sub-Fund 1 maintains a portfolio of real estate investments only, through participation in 2 joint ventures with 2 different development companies. Sub-Fund 2 has undertaken an investment in 2023, providing a real estate development allowance for a Germany-based real estate development company.

2.3. Material changes during the financial year

There were material changes in the information listed in Section 30 of the Alternative Investment Fund Managers Law of 2013 to (No. 2) of 2021 (the “AIFM Law”) were implemented during 2023, and specifically relating to the following:

- In December 2023, the External Manager had applied for the change of depository of the IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD from EURIVEX LTD to MEGA EQUITY SECURITIES AND FINANCIAL SERVICES PUBLIC LTD;

¹ Law 131(I)/2014 was repealed and Law 124(I)/2018 (the “AIF Law”) has been introduced on 30 July 2018.

- In April 2022, two Shareholders of the AIFM, who collectively held 100% of the shares (Shareholder 1: 75%, Shareholder 2: 25%), sold a portion of their shares to two Partners (Shareholders 3 and 4). Post-transaction, Shareholder 1 owns 25%, Shareholder 2 holds 12.5%, Shareholder 3 holds 12.5%, and Shareholder 4 holds 50%
- On 13.02.2023, an application to CySEC was sent regarding the increase of minimum annual management fees of Sub-Fund 1 from EUR 50,000 to EUR 110,000.

No material changes in the information listed in Section 30 of the Alternative Investment Fund Managers Law of 2013 to (No. 2) of 2021 (the “AIFM Law”) were implemented during 2023, relating to the following:

- a) The AIF’s investment strategy and objectives, the type of assets in which the AIF invests, the techniques that the AIF may employ, associated risks and investment restrictions including the use of leverage,
- b) The procedure by which the AIF may change its investment strategy or investment policy or both,
- c) Legal implications of the contractual relationship entered into for the purpose of investments,
- d) The delegation of any management functions,
- e) The AIF’s valuation procedure and of the pricing methodology for valuing asset,
- f) The AIF’s liquidity risk management, including the redemption rights of investors,
- g) The procedure and conditions for the issue and sale of units, and
- h) Disclosure methodologies used.

2.4. External Manager

The AIF is managed by IC Realty Ltd (the “External Manager”), an Alternative Investment Fund Manager incorporated in Cyprus as a private limited liability company. As per the information provided by the External Manager, the total amount of fixed remuneration paid to the senior management (3 beneficiaries) and to other staff members (3 beneficiaries) was EUR 157,786. No variable remuneration was paid to senior management and members of the staff for the year ended 31 December 2023.

On December 5th 2023, the External Manager has undertaken an additional AIF under its management, namely, CLIFF CAPITAL GROWTH AIF V.C.I.C. LTD.

The External Manager fully complies with the provisions of Section 9 of the AIFM Law, that is, it has sufficient capital to cover its minimum capital requirements and cover professional liability risks.

The External Manager has established adequate risk management systems, both organizational elements and policies and procedures to measure and manage risks in relation to the AIF. To that effect, the External Manager established and maintains a permanent risk management function and documents an adequate overall risk strategy

as well as an adequate risk management policy for the AIFs. It also has taken appropriate functional arrangements to implement its risk management policy and ensure regular reporting on risk management matters to their internal governing bodies.

2.5. Principal risks to which the AIF may be exposed

The Fund may be exposed to the following risks:

Interest rate risk: Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Fund's income and operating cash flows are substantially independent of changes in market interest rates as the Fund has no significant interest-bearing assets. The Fund is exposed to interest rate risk in relation to its noncurrent borrowings. Borrowings issued at variable rates expose the Fund to cash flow interest rate risk. Borrowings issued at fixed rates expose the Fund to fair value interest rate risk. The Fund's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Credit risk: Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from purchasing a debt instrument like a Bond, the Fund is exposed to the credit worthiness of the instrument's issuer. Although it supersedes other instruments, they are still subject to the financial well-being of the issuer and its ability to repay both interest and principal to the bondholder. The issuer of instruments in which the Fund invests may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating. The Fund will analyze all income and cash flow information as well as overall issuer exposure to debt, prior to investing in the bond instrument.

i. Risk management

Credit risk is managed on a group basis. For banks and financial institutions, the Fund has established policies whereby the majority of bank balances are held with independently rated parties with a minimum rating of ['C'].

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Fund's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

These policies enable the Fund to reduce its credit risk significantly.

ii. Impairment of financial assets

The Fund has the following types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents
- credit commitments
- financial guarantees.

The impairment methodology applied by the Fund for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

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

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

Currency Risks: The euro value of the Fund's foreign investments will be affected by changes in the exchange rates between the euro and the currencies in which those investments are traded. The Fund's foreign investments may be affected by changes in a foreign country's exchange rates, political and social instability, changes in economic or taxation policies, difficulties when enforcing obligations, decreased liquidity, and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

Real Estate Risk: Investment in real estate can take considerable time both to acquire and to realize. The fund's real estate investments will be subject to the general risks incidental to the ownership of real property, including changes in the supply of, or demand for, properties in an area, changes in the development of a particular area, changes in interest rates and the availability of mortgages, changes in property tax rates and landlord/tenant or planning laws, credit risks of tenants and borrowers, uninsured events and environmental factors. The marketability and value of any properties owned by the fund

on behalf of compartments will, therefore, depend on many factors beyond the control of the fund and there is no assurance that there will be either a ready market for any properties or that such properties will be sold at a profit or will yield a positive cash flow.

2.6. Results

The Fund's results for the year are set out in the Audited Financial Statements Enclosed as **Appendix 1**.

3. Report on the Activities of the Fund for 2023

Sub-Fund 1:

As of 31 December 2023, Sub-Fund 1 had 7,591,798 Units in issue held by six (6) unitholders. The level of assets under management amounted to EUR 4,778,504 compared to EUR 4,807,327 as of 31 December 2022. The decrease was due to changes in the market value. The net asset value per share as at the year ending 31 December 2023 was EUR 0.628 whereas as of 31 December 2022 it was EUR 0.632

During the year there was (1) subscription of 530,966 Units and (1) redemption of 530,966 Units.

On 4/05/2022 “EMERY EN LIGHTNEMENT CY LTD” was incorporated where the Sub-Fund 1 held 39% of the share capital.

On 27/06/2022, the Sub-Fund 1 entered into an agreement of purchase and sale of shares in the authorized capital of “EM.E.R.Y. LLC”. Under the agreement the Sub-Fund 1 transferred and “EMERY EN LIGHTNEMENT CY LTD” accepted the share of 39% of the authorized capital of “EM.E.R.Y. LLC”.

On 04/07/2022 the Sub-Fund 1 entered into a share purchase contract for the sale of shares of “EMERY EN LIGHTNEMENT CY LTD”. As of 31 December 2023, the Fund is owed an outstanding balance of EUR 144,494.35 for the sale of shares of “E.M.E.R.Y. LLC” described above.

Additionally, the following investment took place:

An additional contribution was made on 20.11.2023 towards the Joint Venture “KARMA MYTHICAL LTD & IC REALTY A1 AIF UMBRELLA FUND VCICI LTD JOINT VENTURE” in the amount of EUR 291,550.00 There were no disinvestments during the reporting period.

During 2023, the following were implemented:

1. On 03.04.2023, the Sub-Fund 1 entered into a Joint Venture agreement for the purchase of 1 land plot (plot No. 717, Sheet/Plan 2-292-380, registration No. 0/17759) and on 30.11.2023, the Sub-Fund 1 entered into a Joint Venture agreement for the construction of the JV Project in Paralimni (on the abovementioned land plot). The Joint Venture is between two companies, namely Karma Mythical Ltd and the Fund and it is registered under the name “KARMA MYTHICAL LTS & IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD JOINT VENTURE”. This Joint Venture Project is preliminarily called “717”.
2. On 01.09.2023, the Sub-Fund 1 entered into a Joint Venture agreement for the purchase of 2 land plots (plot No. 336, Sheet/Plan 2-296-375, registration No. 0/11998, and plot No. 337, Sheet/Plan 2-296-375, registration No 0/20201) and the construction of the JV Project in Paralimni. The Joint Venture is between two companies, namely Karma Mythical Ltd and the Fund and it is registered under the name “KARMA MYTHICAL LTS & IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD JOINT VENTURE”. This Joint Venture Project is preliminarily called “336-337”.

3. On 07.07.2023, the Sub-Fund 1 entered into a Joint Venture agreement for the construction of the JV Project in Municipality of Sotira, Famagusta (on Plot with Sheet/Plan 2-284-372, Registration No. 0/3690). The Joint Venture is between two companies, namely “COSTAS G. CONSTANTINOU DEVELOPMENTS LIMITED” and the Fund and it is registered under the name “COSTAS G. CONSTANTINOU & IC REALTY A1 JV”. This joint Venture project is called “MARINA 2”.

Sub-Fund 2:

As of 31 December 2023, the Sub-Fund 2 had 7,000 Units in issue held by one (1) unit holder. The level of assets under management amounted to EUR 488,377 compared to EUR 552,626 as of 31 December 2022. The decrease was due to the fact that the fund had no activity throughout 2022 and most of 2023, which resulted in the fund carrying operational expenses without making profits. The net asset value per share as at the year ending 31 December 2023 was EUR 69.39 whereas as of 31 December 2022 it was EUR 78.55.

No subscriptions / redemptions were executed during the year.

During 2023, the following was implemented:

1. On 29.05.2023, the Sub-Fund 2 entered into investment agreement for the development of the real estate project in Germany. The agreement is concluded between two companies, namely, IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD (via its compartment “G-PARITY REAL ESTATE FUND”) and DYNASTIE IMMO GMBH, a real estate development company duly registered in Germany.

4. Events after the Reporting Period

The following changes took place within 2024, following the financial year that ended 31 December 2023:

- The change of the Depository referred to in paragraph 2.3 of this report for the Umbrella fund was implemented on 16.02.2024.
- The Sub-Fund 1 made an additional contribution on 24.01.2024 towards the Joint Venture “KARMA MYTHICAL LTD & IC REALTY A1 AIF UMBRELLA FUND VCICI LTD JOINT VENTURE” in the amount of EUR 75,000.00.
- In January and February 2024, 3 investors in Sub-Fund 1 applied for the redemption of 1,086,791 units in total, valued at EUR 679,918.62.

Yours sincerely,



Kypros Neocleous,
Executive Director

5. Appendix 1 - Audited Financial Statements

**IC REALTY A1 AIF UMBRELLA FUND
V.C.I.C. LTD**

REPORT AND FINANCIAL STATEMENTS
31 December 2023

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

REPORT AND FINANCIAL STATEMENTS

31 December 2023

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IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Kypros Neocleous Lyubov Leonidou
Company Secretary:	Roman Bielic Appointed on 30/11/2022 Georgiou Drosini 44 MYTHICAL SANDS BLOCK AH, FLAT 13 5290, Paralimni
Independent Auditors:	SAVVA FRANGOUS & ASSOCIATES LIMITED CHARTERED ACCOUNTANTS Annis Komnini 4 SOLEA BUILDING Floor 3, Office 303 1060, Nicosia
Depositary:	Eurivex Ltd 18 Kyriacou Matsi, Victory Tower, 1st floor 1082 Nicosia Cyprus
Administrator:	IC Realty Ltd 4 Annis Komnini Str., Solea Building, 2nd Floor, Office 201 1060 Nicosia,
Legal Advisers:	Christys & Co. LLC 16 Kyriakou Matsi, 2nd Floor, 2408 Engomi, Nicosia
Registered office:	4 Annis Komnini Str., Solea Building, 2nd Floor, Office 202, Nicosia 1060 Cyprus
Bankers:	Astrobank Limited CreditSuisse
Registration number:	HE386064

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

FUND BACKGROUND

The Fund, IC Realty A1 AIF Umbrella Fund V.C.I.C. Ltd was incorporated under the Companies Law, Cap. 113 on 09 July 2018. The Fund is a private company limited by Shares incorporated under the Companies Law, Cap. 113, authorized by the CySEC on 04 June 2018 to operate as an open-ended Alternative Investment Fund of variable capital in accordance with PART II of the AIF Law 124(I) of 2018 or in any other law which replaces or amends it, with operations license number AIF42/2014.

The Fund is authorized to create investment compartments under its umbrella.

The number of members holding Management Shares and Investor shares including members of all investment compartments, is limited to fifty.

The AIF has appointed a Depositary in accordance with section 26 (3) of the AIF Law.

The Alternative Investment Fund ("AIF") is addressed to professional or/and well-informed investors.

The Fund is set up as an open-ended umbrella fund with multiple compartments. The minimum assets requirement of the Fund will apply to every investment compartment individually.

Each Investment Compartment will operate as a separate AIF with segregated liability between investment compartments, according to the provisions of the regulations, and all investment compartments will constitute a single legal entity. Each investment compartment of the Fund may issue Shares, which correspond, to the assets of the specific compartment. The value of the Shares may vary by Investment Compartment.

Investment objective, strategy and policy of the Fund

Investment policy

The Fund will invest through its Investment Compartments in a variety of asset classes.

Investment objective

The specific investment objective and policies of each Fund are set out for each Investment Compartment.

The Fund shall not make any change to the investment objectives of an Investment Compartment, or any material change to the Investment Compartment's investment policy, as set out in the relevant Supplement, unless Shareholders have, in advance, by simple majority of votes cast at a general meeting or with the prior written approval of Shareholders of the relevant Investment Compartment (in accordance with the Articles of Association), approved such change(s). The term "material" shall be taken to mean, although not exclusively, changes which would significantly alter the asset type, credit quality, borrowing limits or risk profile of an Investment Compartment. In the event of a change of the investment objective and/or material change to the investment policy of an Investment Compartment, on the basis of a simple majority of votes cast at a general meeting, Shareholders in the relevant Investment Compartment will be given reasonable notice of such change to enable them to redeem their Units prior to implementation of such a change.

BF DIVERSIFIED REAL ASSETS FUND ("Investment Compartment" or "Sub-Fund"), a Sub-Fund of the IC Realty A1 AIF Umbrella Fund V.C.I.C. Ltd (the "Fund").

Investment objective, strategy and policy of the Sub-Fund:

Investment objective

The Sub- Fund's objective is to maximize total investment return, by means of capital appreciation in the real estate and/or in private equity industry.

The investment objective will be achieved by investing:

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

1. Directly in the real estate and/or in private equity market;
2. Indirectly in the real estate and/or in private equity market through the use of Special Purpose Vehicles; and
3. Indirectly in the real estate and/or in private equity market through other real estate and private equity funds, real estate and private equity related equities and other financial instruments related to the property and private equity market, both listed and unlisted.

During periods when the Board of Directors believes that conditions, whether political or economic, are unfavorable for real estate or in private equity investments, or as part of the Sub-Fund's hedging strategy, it may allocate a small percentage in other securities or hold cash on deposit.

Investment policy

The Sub-Fund will seek to build a portfolio consisted of real estate and/or private equity assets, which balances risks and emphasizes strong cash flow. To spread risk the Sub-Fund will invest in different aspects of private equity and real estate market, including, commercial and residential projects. They combine long term strategy with medium term flexibility to tackle market shifts. The investments type mix will include assets that can yield above average returns predominantly in the form of capital gains.

Investment strategy

The Sub-Fund will invest in the real estate and private equity market in European Economic Area, Central and Eastern Europe and CIS Region. It may change its Investment Policy and Strategy for the purpose of enhancing investor returns or protecting their investment interests. If the Sub-Fund intends to change its investment strategy / policy, the written consent of all existing unitholders will be sought, as well as the written approval of CySEC.

Cross Liability of Investment Compartments

Under Cyprus law the assets of one Investment Compartment are not available to satisfy the liabilities of or attributable to another Investment Compartment. However, the Fund may operate or have assets in countries other than Cyprus which may not recognize segregation between Investment Compartments and there is no guarantee that creditors of one Investment Compartment will not seek to enforce one Investment Compartment's obligations against another Investment Compartment.

The Shareholders' rights derive from the assets of the relevant Investment Compartment they have invested in; each Investment Compartment is liable for the obligations created from its establishment and operations or its dissolution.

G-PARITY REAL ESTATE FUND ("Investment Compartment" or "Sub-Fund"), a Sub-Fund of the IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD (the "Fund").

Investment objective, strategy and policy of the Sub-Fund:

Investment objective

The investment objective of the Fund is to manage funds raised from investors with the intention of achieving capital growth through its investment activities and provide to investors collectively access to investment opportunities that might otherwise not be accessible to them due to high entry barriers and complexity of structuring.

The Sub-Fund intends to invest in assets with medium to long-term value appreciation by investing primarily in real estate and to a lesser extent, in private equity. More specifically, it will be investing in real estate funds, real estate companies, other companies related to the real estate sector (such as construction companies, property service providers, hotels and real estate fund managers), and in private equity projects.

The policies aimed at achieving the Sub-fund's objectives are set in the following framework:

1. All investments are in assets located globally but with the greatest focus being in projects within the European Economic Area, Central and Eastern Europe and the CIS Region

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

2. The Sub-Fund will focus its activities primarily on:

- a) The erection, acquisition or lease of residential or commercial property for the purpose of leasing, renting or selling it;
- b) The acquisition, lease or sub-lease of movable and immovable property that may enhance in any way the value of any other property of the Sub-Fund;
- c) The erection, improvement and management of any shops, offices, hotels, flats and any other buildings which the Sub-Fund may consider desirable for the purposes of its business;
- d) The acquisition, lease, sub-lease or management of companies that may enhance in any way the value of any other private equity of the Sub-Fund;

3. Emphasis will also be placed in property / property related projects and/or private equity projects which will allow for a credible and easy exit strategy.

4. The Sub-Fund may invest at any stage throughout the lifecycle of a project (during its planning phase, halfway through its development or upon its completion).

Investment policy

The Sub-Fund will seek to diversify its risk by holding a mixed portfolio of real estate assets, including commercial, residential, industrial, other properties and classes of real estate and to a lesser extent, in private equity projects. Although the Sub-Fund will have a global geographic market focus, the target markets will be countries within the EEA, Central, the Eastern Europe and the CIS region.

The investments into real estate and private equity are made either directly or indirectly through holding shares in investment vehicles (e.g. special purpose vehicles, holding companies, other collective investments) that invest in real estate companies and companies related to the real estate sector (for example, construction companies, hotels, property service providers and real estate fund managers as noted above) and to a lesser extent, in private equity.

Investment strategy

The Sub-Fund will invest in the real estate and private equity market in European Economic Area, Central and Eastern Europe and CIS Region. The Investment Manager's strategy will use a research-intensive, fundamental investment process to capture opportunities in the real estate sector, with a view to achieve high returns. In the first months of the Fund's activities, the Fund's portfolio may comprise significant amounts of cash and cash equivalents (including cash or other forms of cash such as certificates of deposit) and cash funds.

The Sub-Fund may change its Investment Policy and Strategy for the purpose of enhancing investor returns or protecting their investment interests. If the Sub-Fund intends to change its investment strategy / policy, the written consent of all existing unitholders will be sought, as well as the written approval of CySEC.

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2023.

Principal activities and nature of operations of the Company

The principal activities of the Fund are to invest through its Investment Compartments in Real Estate and to a lesser extent, in Private Equity assets and to build a portfolio consisted of real estate and/or private equity assets, which balances risks and emphasizes strong cash flow.

Change of Company name

On 3rd of February 2021, the Fund changed its name from IC REALTY A1 AIF UMBRELLA FUND VCIC LTD to IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD.

Review of current position, future developments and performance of the Company's business

The Company's development to date, financial results and position as presented in the financial statements are not considered satisfactory and the Board of Directors is making an effort to reduce the Company's losses.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 6, 7 and 20 of the financial statements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and that such changes will affect The Company's income or the value of its holdings of financial instruments.

Interest rate risk

Interest rates and bond prices carry an inverse relationship; as interest rates fall, the price of bonds trading in the marketplace generally rises. Conversely, when interest rates rise, the price of bonds tends to fall. Prolonged periods of low interest rates may lead to sudden rises that can have adverse effect on the value of the bonds. However, this risk is negated if the bonds are held to maturity.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises from purchasing a debt instrument like a Bond, the Fund is exposed to the credit worthiness of the instrument's issuer. Although, it supersedes other instruments, they are still subject to the financial well-being of the issuer and its ability to repay both interest and principal to the bondholder. The issuer of instruments in which the Fund invests may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating. The Fund will analyze all income and cash flow information as well as overall issuer exposure to debt, prior to investing in the bond instrument.

Liquidity risk

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

Results

The Company's results for the year are set out on page 12. The net loss for the year attributable to the shareholders of the Company amounted to €112,869 (2022: €260,426). On 31 December 2023 the total assets of the Company were €5,289,970 (2022: €5,406,919) and the net assets of the Company were €5,279,825 (2022: €5,392,695).

Dividends

The Company did not have any distributable profits as at 31 December 2023, thus the Board of Directors cannot recommend the payment of a dividend.

Share capital

There were no changes in the share capital of the Company during the year under review.

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

MANAGEMENT REPORT

The Management Shares do not correspond to any Investment Compartment and represent the amount paid on such issued shares. The initial price of the Management Shares is One Euro (€1.00) each.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2023 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2023.

In accordance with the Fund's Articles of Association all Directors presently members of the Board continue in office.

Accounting records

The books of the Fund for the year ended 31 December 2020 were maintained by the Fund Manager IC Realty Ltd.

Operating Environment of the Company

Any significant events that relate to the operating environment of the Company are described in note 20 of the financial statements.

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 24 of the financial statements.

Related party transactions

Disclosed in note 21 of the financial statements.

Independent Auditors

The Independent Auditors, SAVVA FRANGOUS & ASSOCIATES LIMITED, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Roman Bjelic
Secretary

Nicosia, 26 June 2024

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

STATEMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS RESPONSIBILITIES

The members of the Board of Directors of the Company shall be appointed by the holders of Management Shares and unless and until otherwise holders of Management Shares, members of the Board of Directors shall be two and there shall be no maximum number. The first member of the Board of Directors of the Company shall be appointed in and it shall not be necessary to hold any meeting for that purpose. Any change of the members of the Board of Directors shall be communicated to CySEC without undue delay and in any case before its implementation. In case the CySEC finds that the proposed members are not of good repute and that they lack sufficient knowledge, skills and experience to perform their duties, it shall instruct the Company to immediately replace them and the Company shall comply with the instructions.

A member of the Board of Directors of the Company may be or become a Director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company directly or through its Sub-Funds may have an interest as a shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such other company unless the Company otherwise directs.

BORROWING POWERS

The External Manager may exercise all the powers of the Company with the consent of the Management Shareholders to borrow money, and to charge or mortgage its undertaking, property, as well as the Capital that has not been called yet for payment or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party as long as such borrowing powers are provisioned in the Offering Memorandum and its Supplements relating to any relevant Sub-Fund.

- **POWERS AND DUTIES OF MEMBERS OF THE BOARD OF DIRECTORS**
- The business of the Company shall be managed by the Board of Directors, who may exercise all such powers of the Company as are not, by the Law or by the AIF Law or by these Regulations, required to be exercised by the Company in General Meeting or the Manager, subject, nevertheless to any of these Regulations, to the provisions of the Law or to the AIF Law and to the relevant internal regulations, being not inconsistent with the aforesaid Regulations or provisions as may be prescribed by the Company in General Meeting. But no internal regulation made by the Company in General Meeting shall invalidate any prior act of the Directors, which would have been valid, if that internal regulation had not been made
- The Board of Directors may from time to time and at any time appoint any company, firm or person or body or persons, whether nominated directly or indirectly by the Board of Directors, to be the authorized representative or attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board of Directors under these Regulations) and for such period and subject to such conditions as they may think fit, and any such authorisation or power of attorney may contain such provisions for the protection and convenience of persons dealing with any such authorized representative or attorney as the Directors may think fit and may also authorise any such authorized representative or attorney to delegate all or any of the powers, authorities and discretions vested in him.
- The Board of Directors may appoint an External Manager to manage and administer the Company's affairs and those of its Sub-Funds as provided under section 6(2)(a) of the AIF Law of 2018.

A member of the Board of Directors who is in any way, whether directly or indirectly, interested in a contract or proposed contract or employment with the Company shall declare the nature of his interest at a meeting of the Board of Directors in accordance with section 191 of the Law.

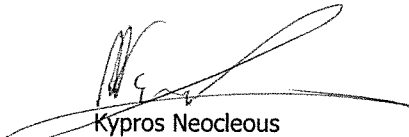
A member of the Board of Directors may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Board of Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

A member of the Board of Directors may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Board of Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established.

Any member of the Board of Directors may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a member of the Board of Directors ; provided that nothing herein contained shall authorize a Director or his firm to act as auditor of the Company

By order of the Board of Directors,



Kypros Neocleous
Director

Nicosia, 26 June 2024

Independent Auditor's Report

To the Members of IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD (the "Company"), which are presented in pages 12 to 37 and comprise the statement of financial position as at 31 December 2023, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes of the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

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

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include 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.

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.

Responsibilities of the Board of Directors for the Financial Statements

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

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

Independent Auditor's Report (continued)

To the Members of IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

Responsibilities of the Board of Directors for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In 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 Management Report. We have nothing to report in this respect.

AUTHORISED
TRAINING
EMPLOYER

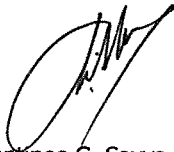


Independent Auditor's Report (continued)

To the Members of IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

Other Matter

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



Constantinos G. Savva
Certified Public Accountant and Registered Auditor
for and on behalf of
SAVVA FRANGOUS & ASSOCIATES LIMITED
CHARTERED ACCOUNTANTS

Nicosia, 26 June 2024

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TRAINING
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IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2023

	Note	2023 €	2022 €
Fair value gains on financial assets at fair value through profit or loss		-	154,044
Total revenue		<u>-</u>	<u>154,044</u>
Investment management fees		(160,000)	(100,887)
Custodian fees		(12,000)	(12,000)
Administration fees		(13,675)	(14,858)
Directors' fees		(2,000)	(2,000)
Audit and accounting fees		(7,735)	(11,000)
Professional fees		(131)	(13,891)
Valuation expenses		(585)	(392)
License fee		(2,850)	(2,200)
Annual Levy		(350)	(350)
Municipality fees		(250)	(250)
Sundry expenses		(449)	(7,832)
Other operating income	8	197,984	293,893
Loss from investing activities	9	(108,757)	-
		<u>(110,798)</u>	<u>282,277</u>
Operating (loss)/profit		<u>(110,798)</u>	<u>282,277</u>
Finance income		-	10
Finance costs		(2,071)	(6,254)
Net finance costs	10	(2,071)	(6,244)
(Loss)/profit before tax		<u>(112,869)</u>	<u>276,033</u>
Tax	11	-	(15,607)
Net (loss)/profit for the year/period		<u>(112,869)</u>	<u>260,426</u>
Other comprehensive income		<u>-</u>	<u>-</u>
		<u>(112,869)</u>	<u>260,426</u>

The notes on pages 16 to 37 form an integral part of these financial statements.

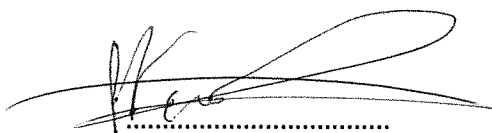
IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

STATEMENT OF FINANCIAL POSITION

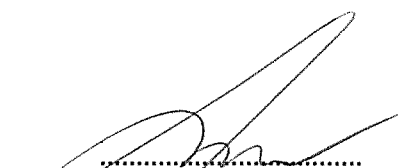
31 December 2023

	Note	2023 €	2022 €
ASSETS			
Non-current assets			
Other investments	14	<u>450,000</u>	-
		<u>450,000</u>	-
Current assets			
Cash and cash equivalents	15	402,047	1,311,115
Receivables	12	2,496	7,045
Receivables from other related parties	21	144,494	179,853
Financial assets at fair value through profit or loss	13	4,289,683	3,908,906
Refundable taxes	19	<u>1,250</u>	-
		<u>4,839,970</u>	<u>5,406,919</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	1,000	1,000
Redeemable shares	17	5,279,206	5,391,695
Accumulated losses		<u>(381)</u>	-
Total equity		<u>5,279,825</u>	<u>5,392,695</u>
Current liabilities			
Creditors and accruals	18	10,145	10,529
Payables to unit holder	21	-	588
Current tax liabilities	19	<u>-</u>	<u>3,107</u>
		<u>10,145</u>	<u>14,224</u>
Total equity and liabilities		<u>5,289,970</u>	<u>5,406,919</u>

On 26 June 2024 the Board of Directors of IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD authorised these financial statements for issue.



 Kypros Neocleous
 Director



 Lyubov Leonidou
 Director

The notes on pages 16 to 37 form an integral part of these financial statements.

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

STATEMENT OF CHANGES IN EQUITY

31 December 2023

	Note	Share capital €	Redeemable shares €	Accumulated losses €	Total €
Balance at 1 January 2022		1,000	5,039,023	-	5,040,023
Net profit for the period		-	260,426	-	260,426
Transactions with owners					
Issue of share capital	16, 17	-	2,000,000	-	2,000,000
Redemption of redeemable shares during the year /period	17	-	(1,907,754)	-	(1,907,754)
Balance at 31 December 2022/ 1 January 2023		1,000	5,391,695	-	5,392,695
Net loss for the year		-	(112,488)	(381)	(112,869)
Issue of share capital	16, 17	-	330,579	-	330,579
Redemption of redeemable shares during the year /period	17	-	(330,579)	-	(330,579)
Balance at 31 December 2023		1,000	5,279,207	(381)	5,279,826

Companies, which do not distribute 70% of their profits after tax, as defined by the Special Contribution for the Defence of the Republic Law, within two years after the end of the relevant tax year, will be deemed to have distributed this amount as dividend on the 31 of December of the second year. The amount of the deemed dividend distribution is reduced by any actual dividend already distributed by 31 December of the second year for the year the profits relate. The Company pays special defence contribution on behalf of the shareholders over the amount of the deemed dividend distribution at a rate of 17% (applicable since 2014) when the entitled shareholders are natural persons tax residents of Cyprus and have their domicile in Cyprus. In addition, the Company pays on behalf of the shareholders General Healthcare System (GHS) contribution at a rate of 2,65%, when the entitled shareholders are natural persons tax residents of Cyprus, regardless of their domicile.

The notes on pages 16 to 37 form an integral part of these financial statements.

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

CASH FLOW STATEMENT

31 December 2023

	Note	2023 €	2022 €
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		(112,869)	276,033
Adjustments for:			
Unrealised exchange loss/(profit)		13	(10)
Share of profit from joint ventures		(197,984)	(292,618)
Fair value losses/(gains) on financial assets at fair value through profit or loss		108,757	(154,044)
Interest expense	10	269	-
		(201,814)	(170,639)
Changes in working capital:			
Decrease/(increase) in receivables		4,549	(2,860)
Decrease/(increase) in receivables from other related parties		35,359	(179,853)
Increase in financial assets at fair value through profit or loss		(291,550)	(243,570)
Decrease in creditors and accruals		(384)	(268,734)
(Decrease)/increase in payables to sub-fund		(588)	588
		(454,428)	(865,068)
Cash used in operations		(4,357)	(19,777)
Tax paid		(4,357)	(19,777)
		(458,785)	(884,845)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of other investments	14	(450,000)	-
		(450,000)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		330,579	2,000,000
Payments on redemption of redeemable shares		(330,579)	(1,907,754)
Interest paid		(269)	-
		(269)	92,246
Net cash (used in)/generated from financing activities		(269)	92,246
Net decrease in cash and cash equivalents		(909,054)	(792,599)
Cash and cash equivalents at beginning of the year/period		1,311,115	2,103,704
Effect of exchange rate fluctuations on cash held		(14)	10
		402,047	1,311,115
Cash and cash equivalents at end of the year/period	15	402,047	1,311,115

The notes on pages 16 to 37 form an integral part of these financial statements.

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

1. Incorporation and principal activities

Country of incorporation

The Company IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD (the "Company") was incorporated in Cyprus on 9th of July 2018 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 4 Annis Komninis Str., Solea Building, 2nd Floor, Office 202, Nicosia, 1060, Cyprus.

Principal activities

The principal activities of the Fund are to invest through its Investment Compartments in Real Estate and to a lesser extent, in Private Equity assets and to build a portfolio consisted of real estate and/or private equity assets, which balances risks and emphasizes strong cash flow.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of, and financial assets and financial liabilities at fair value through profit or loss.

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRSs) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2023. This adoption did not have a material effect on the accounting policies of the Company.

4. Material accounting policies

The material accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Management seeks not to reduce the understandability of these financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes.

Revenue

Recognition and measurement

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

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

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. Material accounting policies (continued)

Revenue (continued)

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

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

Identification of performance obligations

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

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

- **Interest income**

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

Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

Foreign currency translation

(1) Functional and presentation currency

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

Tax

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

Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

Financial assets - Classification

The Company classifies its financial assets in the following measurement categories:

IC REALTY A1 AIF UMBRELLA FUND V.C.I.C. LTD

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. Material accounting policies (continued)

Financial assets - Classification (continued)

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

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

For investments in equity instruments that are not held for trading, the classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

Financial assets - Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. Material accounting policies (continued)

Financial assets - Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

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

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.

FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's Management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses)" in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTPL are not reported separately from other changes in fair value.

Financial assets - impairment - credit loss allowance for ECL

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. Material accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets. Subsequent recoveries of amounts for which loss allowance was previously recognised are credited against the same line item.

Debt instruments carried at amortised cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

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

For all other financial instruments that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the Company determines low credit risk financial assets.

Financial assets - Reclassification

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

Financial assets - write-off

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. Material accounting policies (continued)

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

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

Cash and cash equivalents

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

Classification as financial assets at amortised cost

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

Financial liabilities - measurement categories

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

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

Trade payables

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. Material accounting policies (continued)

Financial liabilities - Modifications

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

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

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

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

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

Offsetting financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

4. Material accounting policies (continued)

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible notes denominated in Euro that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

The liability component of compound financial instruments is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognised in profit or loss. On conversion, the financial liability is reclassified.

Share capital

Management and Investor shares are classified as equity.

Convertible preference shares

The component of the convertible preference shares that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. The corresponding dividends on those shares are charged as interest expense in profit or loss.

On issuance of the convertible preference shares, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is classified as a financial liability measured at amortised cost until it is extinguished on conversion or redemption.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

5. New accounting pronouncements

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

6. Financial risk management

Financial risk factors

The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk, other market price risk, operational risk, compliance risk, litigation risk, capital risk management and other risks arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

6.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and that such changes will affect The Company's income or the value of its holdings of financial instruments.

6.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

6.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Credit risk arises purchasing a debt instrument like a Bond, the Fund is exposed to the credit worthiness of the instrument's issuer. Although, it supersedes other instruments, they are still subject to the financial well-being of the issuer and its ability to repay both interest and principal to the bondholder. The issuer of instruments in which the Fund invests may be unable to meet interest and/or principal payments, thereby causing its instruments to decrease in value and lowering the issuer's credit rating. The Fund will analyze all income and cash flow information as well as overall issuer exposure to debt, prior to investing in the bond instrument.

(i) Risk management

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The Company's investments in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

These policies enable the Company to reduce its credit risk significantly.

(ii) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents
- credit commitments

The impairment methodology applied by the Company for calculating expected credit losses depends on the type of financial asset assessed for impairment. Specifically:

- For trade receivables the Company applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

6. Financial risk management (continued)

6.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

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

Impairment losses are presented as net impairment losses on financial and contract assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of the asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the financial asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's/counterparty's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower/counterparty.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors. No significant changes to estimation techniques or assumptions were made during the reporting period.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Low credit risk

The Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

6. Financial risk management (continued)

6.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

Default

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Write-off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a debt financial asset for write off when a debtor fails to make contractual payments greater than 180 days past due. Where debt financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Company's exposure to credit risk for each class of (asset/instrument) subject to the expected credit loss model is set out below:

Receivables from related parties

For receivables from related parties lifetime ECL was provided for them upon initial application of IFRS 9 until these financial assets are derecognised as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

For any new loans to related parties, which are not purchased or originated credit-impaired financial assets, the impairment loss is recognised as 12-month ECL on initial recognition of such instruments and subsequently the Company assesses whether there was a significant increase in credit risk.

The Company does not hold any collateral as security for any receivables from related parties.

There were no significant receivables from related parties written off during the year that are subject to enforcement activity.

Cash and cash equivalents

The Company assesses, on a group basis, its exposure to credit risk arising from cash at bank. This assessment takes into account, ratings from external credit rating institutions and internal ratings, if external are not available.

Bank deposits held with banks with investment grade rating are considered as low credit risk.

The ECL on current accounts is considered to be approximate to 0, unless the bank is subject to capital controls. The ECL on deposits accounts is calculated by considering published PDs for the rating as per Moody's and an LGD of 40-60% as published by ECB.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

6. Financial risk management (continued)

6.3 Credit risk (continued)

(iii) Financial assets at fair value through profit or loss

6.4 Liquidity risk

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

6.5 Currency and foreign Securities risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar and the Euro. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The euro value of the Fund's foreign investments will be affected by changes in the exchange rates between the euro and the currencies in which those investments are traded.

The Fund's foreign investments may be affected by changes in a foreign country's exchange rates, political and social instability, changes in economic or taxation policies, difficulties when enforcing obligations, decreased liquidity, and increased volatility. Foreign companies may be subject to less regulation resulting in less publicly available information about the companies.

6.6 Other market risks

The risk that the securities market as a whole would decline, bringing the value of individual securities down with it regardless of their fundamental characteristics.

Changing Fixed Income Market Conditions Risk

The current historically low interest rate environment was created in part by the Federal Reserve Board (FRB), the European Central Bank (ECB) and certain foreign central banks keeping the federal funds and equivalent foreign rates at or near zero. There is a risk that interest rates will rise when the FRB, the ECB and other central banks raise these rates. This risk is heightened due to the potential "tapering" of the FRB's quantitative easing program and other similar foreign central bank actions. This tapering and eventual increase in the federal funds and equivalent foreign rates may expose fixed income markets to heightened volatility and reduced liquidity for certain fixed income investments, particularly those with longer maturities. In addition, decreases in fixed income dealer market-making capacity may also potentially lead to heightened volatility and reduced liquidity in the fixed income markets. As a result, the value of the Fund's investments and share price may decline. Changes in central bank policies could also result in higher than normal shareholder redemptions, which could potentially increase portfolio turnover and the Fund's transaction costs.

Emerging Markets Securities Risk

The prices of securities issued by foreign companies and governments located in emerging market countries may be affected more negatively by inflation, devaluation of their currencies, higher transaction costs, delays in settlement, adverse political developments, the introduction of capital controls, withholding taxes, nationalization of private assets, expropriation, social unrest, war or lack of timely information than those in developed countries.

6.7 Management Risk

The investment techniques and risk analysis used by the Fund's portfolio managers may not produce the desired results. Because the Fund's investment process relies heavily on its asset allocation process, market movements that are counter to the portfolio managers' expectations may have a significant adverse effect on the Fund's net asset value.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

6. Financial risk management (continued)

6.8 Regulatory risk

The Fund and its AIFM are subject to laws and regulations enacted by European, and national governments. In particular, upon authorization, the Fund and its AIFM will be required to comply with certain European legal requirements. In addition, the Fund and its AIFM are subject to regulation in Cyprus. Additional laws may apply to the portfolio companies in which we make investments. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and those changes could have a material adverse effect on the Fund's business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, by any of the persons referred to above could have a material adverse effect on the Fund's business, investments and results of operations.

6.9 Real Estate Risk

Investment in real estate can take considerable time both to acquire and to realize. The fund's real estate investments will be subject to the general risks incidental to the ownership of real property, including changes in the supply of, or demand for, properties in an area, changes in the development of a particular area, changes in interest rates and the availability of mortgages, changes in property tax rates and landlord/tenant or planning laws, credit risks of tenants and borrowers, uninsured events and environmental factors. The marketability and value of any properties owned by the fund on behalf of compartments will, therefore, depend on many factors beyond the control of the fund and there is no assurance that there will be either a ready market for any properties or that such properties will be sold at a profit or will yield a positive cash flow.

6.10 INVESTMENT IN PORTFOLIO COMPANIES OR OTHER ENTITIES

The Fund and any of its Investment Compartments may provide financing to Portfolio Companies or other entities in which the External Manager, the Directors or their affiliates, shareholders, directors, officers, employees or other advisors, consultants and experts (including other investment funds that have been or may be established by the External Manager) have invested directly or indirectly in, or have another direct or indirect vested interest in. Notwithstanding the foregoing, in the event that the Fund elects to pursue an investment in a Portfolio Company in which the External Manager, the Directors or their affiliates (including other investment funds that have been or may be established by the External Managers or their respective affiliates) have invested directly or indirectly in, or have another direct or indirect vested interest in, such investment will be subject to the approval of the Fund's Board of Directors by majority. In the event that the Fund's Directors elect not to pursue a specific investment opportunity in a particular Portfolio Company, then the External Manager shall be prohibited from providing such company with funding similar in nature and terms to the financing proposed to be provided by the Fund. Nothing herein shall limit the authority of the External Manager to determine that a particular investment does not fall within the Investment objectives and Strategy of the Fund.

INVESTING IN OTHER COMPARTMENTS OF THE SAME AIF

An investment compartment of an AIF ("the Investor Compartment") may invest in another investment compartment or compartments of the same AIF ("the Target Compartment"), according to the provisions of Section 9 (5) of the AIF Law of 2018, and provided that the following conditions are complied with:

- 1) the Investor Compartment invests in total up to 35% of its assets in a Target Compartment;
- 2) the Target Compartment shall not invest in the Investor Compartment;
- 3) the voting rights, if any, attached to the units corresponding to the investment made by the Investor Compartment in the Target Compartment, are suspended for as long as they are held by the Investor Compartment;
- 4) the value of the units that correspond to the investments of paragraph (a), is not included twice in the calculation of the net asset value of the AIF which operates in the form of a common fund, or of the capital of the AIF which operates in the form of an investment company or limited partnership;
- 5) any remuneration or management fees, marketing, redemption or repurchase fees, as well as any expenses regarding the marketing, redemption or repurchase of units related to the investment of the Investor Compartment in the Target Compartment shall not be charged;

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

6. Financial risk management (continued)

6.11 NET ASSET VALUE

The Administrator will calculate the Net Asset Value of the Fund and its Investment Compartments, the Net Asset Value per Share and prepare unaudited accounts of the Fund. The Administrator will then submit the Fund's unaudited accounts and Net Asset Value calculations to the Fund's Auditors, who shall prepare audited financial statements and provide their opinion on the Net Asset Value calculated by the Administrator.

The Administrator will calculate the Net Asset Value per Share, separately for each Sub-Fund as at:

- a. the date of expiry of the Term, as established for achievement of the minimum volume of assets of the Fund;
- b. each Valuation Day;
- c. the day starting from which restrictions may be applied to the Fund by the regulator;
- d. each day the funds receive contributions, either in kind or in cash from a Shareholder;
- e. the day preceding the day of making the decision on liquidation of the Fund;

The Fund has delegated the calculation of the Net Asset Value of the Fund to the External Manager (the "Valuer"). The Valuer will calculate the Net Asset Value of the Fund, and the Net Asset Value per Unit as at each Valuation Day.

The Net Asset Value shall be calculated with respect to any Valuation Day by ascertaining the value of the Total Assets and deducting from such amount the Total Liabilities. The Net Asset Value of each Investor's Units shall be determined by multiplying the Net Asset Value of the Fund with the percentage owned by each Investor and rounding the resulting total to two decimal places.

In calculating the NAV of the Fund and each Investment Compartment the following principles will apply:

1. every Unit agreed to be issued by the Directors each Subscription Day shall be deemed to be in issue at the Valuation Day and the assets of the relevant Investment Compartment shall be deemed to include not only cash, assets under custody in the hands of the Depositary, and any other assets that cannot be held under custody, but also the amount of any cash or other assets to be contributed in kind and received in respect of Units agreed to be issued after deducting therefrom (in the case of Units agreed to be issued for cash) or providing for any preliminary charges;
2. where investments have been agreed to be purchased or sold but such purchase or sale has not been completed, such investments shall be included or excluded, and the gross purchase or net sale consideration excluded or included as the case may require as if such purchase or sale had been duly completed;
3. there shall be added to the assets of the relevant Investment Compartment any actual or estimated amount of any taxation of a capital nature which may be recoverable by the Fund which is attributable to that Investment Compartment;
4. there shall be added to the assets of each relevant Investment Compartment a sum representing any interest, dividends or other income accrued but not received and a sum representing unamortized expenses;
5. there shall be added to the assets of each relevant Investment Compartment the total amount (whether actual or estimated by the External Manager or their delegate) of any claims for repayment of any taxation levied on income or capital gains including claims in respect of double taxation relief; and
6. where notice of the redemption of Units has been received by the Fund with respect to a Redemption Day and the cancellation of such Units has not been completed, the Units to be redeemed shall be deemed not to be in issue at the Valuation Day and the value of the assets of the relevant Investment Compartment shall be deemed to be reduced by the amount payable upon such redemption.

7. Critical accounting estimates and judgments

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

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

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2023

7. Critical accounting estimates and judgments (continued)

Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Calculation of loss allowance**

When measuring expected credit losses the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

- **Income taxes**

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

Critical judgements in applying the Company's accounting policies

- **Fair value of financial assets**

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

- **Valuation of non-listed investments**

The Company uses various valuation methods to value non-listed investments. These methods are based on assumptions made by the Board of Directors which are based on market information at the reporting date.

8. Other operating income

	2023	2022
	€	€
Other income	-	1,275
Share of profit from partnerships and joint ventures	<u>197,984</u>	<u>292,618</u>
	<u>197,984</u>	<u>293,893</u>

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9. Loss from investing activities

	2023	2022
	€	€
Fair value losses on financial assets at fair value through profit or loss	<u>(108,757)</u>	-
	<u>(108,757)</u>	<u>-</u>

10. Finance income/(costs)

	2023	2022
	€	€
Finance income		
Unrealised foreign exchange profit	<u>-</u>	<u>10</u>
	<u>-</u>	<u>10</u>
Finance costs		
Interest expense		
Interest on taxes	(269)	-
Sundry finance expenses		
Bank charges	(1,789)	(6,254)
Net foreign exchange losses		
Unrealised foreign exchange loss	<u>(13)</u>	<u>-</u>
	<u>(2,071)</u>	<u>(6,254)</u>
Net finance costs	<u>(2,071)</u>	<u>(6,244)</u>

11. Tax

	2023	2022
	€	€
Corporation tax	<u>-</u>	<u>15,607</u>
Charge for the year/period	<u>-</u>	<u>15,607</u>

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

	2023	2022
	€	€
(Loss)/profit before tax	<u>(112,869)</u>	<u>276,033</u>
Tax calculated at the applicable tax rates	(14,109)	34,504
Tax effect of expenses not deductible for tax purposes	38,281	36,937
Tax effect of allowances and income not subject to tax	(24,748)	(55,834)
Tax effect of tax loss for the year/period	<u>576</u>	<u>-</u>
Tax charge	<u>-</u>	<u>15,607</u>

The corporation tax rate is 12,5%.

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11. Tax (continued)

Under certain conditions interest income may be subject to defence contribution at the rate of 30% (reduced to 17% as of 1 January 2024). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

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

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

12. Receivables

	2023	2022
	€	€
Refundable VAT	<u>2,496</u>	<u>7,045</u>
	<u>2,496</u>	<u>7,045</u>

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

The exposure of the Company to credit risk and impairment losses in relation to receivables is reported in note 6 of the financial statements.

13. Financial assets at fair value through profit or loss

	2023	2022
	€	€
Balance at 1 January	3,908,906	3,218,674
Additions	291,550	420,199
Disposals	-	(65,986)
Change in fair value	(108,757)	43,401
Profit/ (Loss) from joint venture	<u>197,984</u>	<u>292,618</u>
Balance at 31 December	<u>4,289,683</u>	<u>3,908,906</u>

Financial assets designated as at fair value through profit or loss are analysed as follows:

	2023	2022
	€	€
Financial assets at fair value through profit or loss		
Karma Mythical Ltd & IC Realty A1 Umbrella Fund VCIC Ltd Joint Venture	2,980,971	2,622,037
Costas G. Constantinou & IC Realty A1 JV	<u>1,308,712</u>	<u>1,286,869</u>
	<u>4,289,683</u>	<u>3,908,906</u>

The Fund is a partner to a registered Joint Venture from 11/02/2020.

Under that partnership, the Fund entered into several joint venture agreements for construction projects to Paralimni.

The Fund is a partner to a registered Joint Venture from 17/11/2021.

Under that partnership, the Fund entered into several joint venture agreements for construction projects to Sotera.

In the cash flow statement, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

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14. Other investments

	2023	2022
	€	€
Additions	<u>450,000</u>	-
Balance at 31 December	450,000	-
Less non-current portion	<u>(450,000)</u>	-

15. Cash and cash equivalents

Cash balances are analysed as follows:

	2023	2022
	€	€
Current accounts	<u>402,047</u>	<u>1,311,115</u>
	<u>402,047</u>	<u>1,311,115</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

16. Share capital

	2023	2023	2022	2022
	Number of shares	€	Number of shares	€
Authorised				
Management shares, of no-par value, issued at initial price of €1 each	1,000	1,000	1,000	1,000
Investor shares attributable to Sub fund, BF Diversified Real Asset Fund, of no-par value	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>
	<u>126,000</u>	<u>126,000</u>	<u>126,000</u>	<u>126,000</u>
Issued and fully paid				
Balance at 1 January	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Balance at 31 December	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

Authorised capital

Under its Memorandum the Fund fixed its share capital at One Hundred Million (100,000,000) Shares of no-par value divided into:

1,000 management shares, of no-par value, issued at initial price of €1 each;

29,999,000 investor shares attributable to Sub fund, BF Diversified Real Asset Fund, of no-par value; and

70,000,000 unclassified shares of no-par value.

Issued capital

Upon incorporation on 9/7/2018 the Fund issued to the subscribers of its Memorandum of Association 1,000 management shares -Sub-Fund, BF DIVERSIFIED REAL ASSET FUND of no-par value and 125,000 investor shares - Sub-Fund, BF DIVERSIFIED REAL ASSET FUND of no par value

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17. Redeemable shares

	2023 Number of shares	2023 €	2022 Number of shares	2022 €
Initial issue of Investor Shares				
Investor Shares - BF-DIVERSIFIED REAL ASSET FUND	125,000	125,000	125,000	125,000
	125,000	125,000	125,000	125,000
Issued and fully paid				
Redeemable "A" shares-				
Balance at 1 January	7,598,798	5,391,695	7,466,837	5,039,023
Increase in net assets attributable to holders of redeemable shares	-	(112,489)	-	260,426
Subscription of Shares	530,966	330,579	3,223,800	2,000,000
Redemption of redeemable shares during the year	(530,966)	(330,579)	(3,091,839)	(1,907,754)
Balance at 31 December	7,598,798	5,279,206	7,598,798	5,391,695

The minimum amount the Shareholder must subscribe for initially, which is €125,000 or its equivalent in any other currency accepted by the Investment Compartment or any other minimum amount at the discretion of the Directors.

The Sub-Fund BF-DIVERSIFIED REAL ASSETS FUND had 7,591,798 units in issue as of 31 December 2023, and these were held by six (6) unit holders.

The Sub-Fund G-PARITY REAL ESTATE FUND had 7,000 units in issue as of 31 December 2023, and these were held by one (1) unit holder.

Total by 31 December 2023 were 7,598,798 units in issue and these were held by six (6) unit holders.

NAV per unit

The NAV per unit for BF-DIVERSIFIED as of 31 December 2023, was €0.63 (rounding up)

The NAV per unit for G-PARITY as of 31 December 2023, was €69.40 (rounding up)

18. Creditors and accruals

	2023 €	2022 €
Payables to administrative Co	210	-
Accruals	9,935	10,529
	10,145	10,529

The fair values of creditors and accruals due within one year approximate to their carrying amounts as presented above.

19. (Refundable) taxes/current tax liabilities

	2023 €	2022 €
Corporation tax	(1,250)	3,107
	(1,250)	3,107

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20. Operating Environment of the Company

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

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

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

The Israel-Gaza conflict has escalated significantly after Hamas launched a major attack on 7 October 2023. Companies with material subsidiaries, operations, investments, contractual arrangements or joint ventures in the War area might be significantly exposed. Entities that do not have direct exposure to Israel and Gaza Strip are likely to be affected by the overall economic uncertainty and negative impacts on the global economy and major financial markets arising from the war. This is a volatile period and situation, however, the Company is not directly exposed. Management will continue to monitor the situation closely and take appropriate actions when and if needed.

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

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

The Company has limited direct exposure to Russia, Ukraine, and Belarus and as such does not expect significant impact from direct exposures to these countries.

Despite the limited direct exposure, the conflict is expected to negatively impact the tourism and services industries in Cyprus. Furthermore, the increasing energy prices, fluctuations in foreign exchange rates, unease in stock market trading, rises in interest rates, supply chain disruptions and intensified inflationary pressures may indirectly impact the operations of the Company. The indirect implications will depend on the extent and duration of the crisis and remain uncertain.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's profitability position. The event is not expected to have an immediate material impact on the business operations. Management will continue to monitor the situation closely and will assess the need for [please complete accordingly] in case the crisis becomes prolonged.

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31 December 2023

21. Related party transactions

The following transactions were carried out with related parties:

21.1 Investment manager

The Directors appoint IC Realty Ltd as the External Manager. The External Manager is a limited liability company incorporated under the laws of the Republic of Cyprus (registration number HE359096) authorised by CYSEC as an Alternative Investment Fund Manager with license number AIFM24/56/2013.

		2023	2022
		€	€
IC Realty Ltd - BF DIVERSIFIED REAL ASSETS FUND	Management fees	110,000	50,887
IC Realty Ltd - G-PARITY REAL ESTATE FUND	Management fees	50,000	50,000
		<u>160,000</u>	<u>100,887</u>

21.2 Directors' fee

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

	2023	2022
	€	€
Directors' fees	<u>2,000</u>	<u>2,000</u>

21.3 Receivables from related parties

		2023	2022
		€	€
EMERY EN LIGHTENMENT CY LTD	Trade	144,494	176,629
KARMA MYTHICAL LTD & IC REALTY A1 AIF UMBRELLA FUND VCIC LTD J.V.	Trade	-	3,224
		<u>144,494</u>	<u>179,853</u>

21.4 Payables to related parties

		2023	2022
		€	€
Payable amount to unit holder	Finance	-	588
		<u>-</u>	<u>588</u>

22. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2023.

23. Commitments

The Company had no capital or other commitments as at 31 December 2023.

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24. Events after the reporting period

As explained in note 20 the geopolitical situation in Eastern Europe and the Middle East remains intense with the continuation of the conflict between Russia and Ukraine and the Israel-Gaza conflict. As at the date of authorising these financial statements for issue, the conflicts continue to evolve as military activity proceeds and additional sanctions are imposed.

Depending on the duration of the conflict between Russia and Ukraine, the Israel-Gaza conflict and continued negative impact on economic activity, the Company might experience further negative results, and liquidity restraints and incur additional impairments on its assets in 2024 which relate to new developments that occurred after the reporting period.

On 16th of February 2024 the Fund entered into an agreement with MEGA EQUITY SECURITIES AND FINANCIAL SERVICES PUBLIC LTD for the provision of depositary services.

Independent auditor's report on pages 9 to 11